



# Comments on Your Government

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**RIPEC**

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## Proposed Changes to the Revaluation Cycle in Rhode Island During the 2008 Session

### Introduction

Rhode Island's cities and towns generated approximately \$1.9 billion in property taxes in FY 2008, which approximates the estimated combined collection of the State personal income tax (\$1.1 billion) and the State sales tax (\$900 million). By a wide margin property tax collections represent the Ocean State's single largest tax source. Therefore, it is critical that procedures and practices are in place so that all property taxpayers are treated in an equitable fashion.

Periodic revaluation of property is an effort to provide for fairness in the process by reflecting the current market values. Revaluations are a necessary process which addresses the reality that properties appreciate and depreciate at different rates.

Changes to the revaluation schedule can have an impact on equity within and among jurisdictions; the accuracy and similarity of data used to calculate and distribute State aid; and credit rating agencies which have less "real time" data to approve the credit worthiness of Rhode Island's 39 cities and towns.

### History of Revaluation in Rhode Island

Over the last three decades the General Assembly has enacted legislation aimed at ensuring that property taxes are administered efficiently and fairly. At the heart of this effort has been the requirement that cities and towns keep property

valuations as current as possible and the mandating of uniform assessment practices.

*The Property Tax and Fiscal Disclosure Act of 1979* required that each city and town undertake a complete reappraisal of all property at least once every ten years in order to alleviate the property tax inequities that can result when assessments are not up-dated on a regular basis. Prior to the passage of this Act, several communities had not conducted a reappraisal for several decades.

In order to keep property taxpayers informed regarding the equity and uniformity of their property tax assessment between revaluations, the State was required to annually publish comprehensive assessment ratio studies of each community and a measure of assessment uniformity so taxpayers could get a picture of how equitably the property tax burden was distributed.

In 1997, the General Assembly enacted the current property reappraisal and revaluation schedule. This legislation advanced the ten-year mandate revaluation by one year, requiring a comprehensive revaluation every nine years. In addition, in order to maintain assessments that reflect market changes, the 1997 Act requires cities and towns to conduct two statistical updates during each nine-year cycle.

Municipalities currently must conduct a statistical update in the third and sixth year after each revaluation. Statistical updates are legislatively defined as an analysis of sales, updated land values and depreciation tables, and cost tables for

all improvements. The legislation also sets forth acceptable methodologies for conducting the update, such as sales/assessment ratio and data quality studies. The State also provides for the initial financing of the statistical updates; however, in recent years the cost has been shifted to local governments. Finally, it should be noted that the property tax reforms of 1997 followed the last comprehensive study of Rhode Island's property tax system (Prepared by Almy, Gloudemans and Jacobs), which included a series of recommendations to improve property tax administration.

Bottomline, statewide revaluation requirements were enacted to have a property tax system that would result in greater equity within and among jurisdictions, and ensure that basic property tax data used to calculate and distribute State aid are accurate and reliable.

**Proposal to Change the Revaluation Cycle**

Table 1 shows the revaluation schedule by municipality. However, there are various legislative proposals during this session of the General Assembly to modify the current schedules for both comprehensive revaluations and statistical updates. These include the following:

The Eight-Year Schedule – H 7272 – This legislative proposal would change the current schedule for the required revaluation of property within a municipality to every eight years not the current schedule of nine years. H 7272 would also provide for statistical updates four years from the last revaluation compared to the current three years.

Nine-Year Revaluation Schedule – H 7558 and S 2272 would require municipalities to conduct an update every five years from the last revaluation and would require a revaluation within nine years of the prior revaluation.

**Table 1**  
**Rhode Island's Schedule of Property Revaluations and Statistical Updates**

| Community        | Year(s) of Revaluation | Year(s) of Update |
|------------------|------------------------|-------------------|
| Barrington       | 2005                   | 2008; 2011        |
| Bristol          | 2007                   | 2010              |
| Burrillville     | 2012                   | 2009              |
| Central Falls    | 2012                   | 2009              |
| Charlestown      | 2004                   | 2010              |
| Coventry         | 2007                   | 2010              |
| Cranston         | 2005                   | 2008; 2011        |
| Cumberland       | 2004                   | 2010              |
| East Greenwich   | 2005                   | 2008; 2011        |
| East Providence  | 2006                   | 2009; 2012        |
| Exeter           | 2011                   | 2008              |
| Foster           | 2008                   | 2011              |
| Glocester        | 2010                   |                   |
| Hopkinton        | 2011                   | 2008              |
| Jamestown        | 2012                   | 2009              |
| Johnston         | 2012                   | 2009              |
| Lincoln          | 2012                   | 2009              |
| Little Compton   | 2009                   | 2012              |
| Middletown       | 2008                   | 2011              |
| Narragansett     | 2011                   | 2008              |
| New Shoreham     | 2012                   | 2009              |
| Newport          | 2011                   | 2008              |
| North Kingstown  | 2012                   | 2009              |
| North Providence | 2004                   | 2010              |
| North Smithfield | 2012                   | 2009              |
| Pawtucket        | 2008                   | 2011              |
| Portsmouth       | 2007                   | 2010              |
| Providence       | 2009                   | 2012              |
| Richmond         | 2010                   |                   |
| Scituate         | 2009                   | 2012              |
| Smithfield       | 2012                   | 2009              |
| South Kingstown  | 2012                   | 2009              |
| Tiverton         | 2011                   | 2008              |
| Warren           | 2006                   | 2009; 2012        |
| Warwick          | 2006                   | 2009; 2012        |
| West Greenwich   | 2010                   |                   |
| West Warwick     | 2012                   | 2009              |
| Westerly         | 2009                   | 2012              |
| Woonsocket       | 2008                   | 2011              |

Source: Office of Municipal Affairs.

Twelve-Year Bill – H 7200 and S 2386– The salient aspect of this legislation would mandate that comprehensive reappraisal be completed every twelve years and statistical updates be undertaken every four years from the last revaluation. In summary, H 7200 and S 2386 would provide for a revaluation system of statistical updates in years four and eight, and a complete revaluation in the twelfth year. Compared to the other legislation outlined above, the period between comprehensive revaluations would be considerably longer than the eight years set forth in H 7272. It appears that twelve years would represent the longest revaluation requirement in the United States.

### **Comments**

Before changes are made to the system of revaluing property, there needs to be a transparent discussion of the benefits that would accrue to Rhode Island taxpayers if changes are made. Furthermore, if the revaluation cycle is to be changed, RIPEC believes that the most appropriate options would be the legislation that provides revaluation every eight years with statistical updates in the intervening fourth year (H 7272). This legislation would reduce the cost of two statistical updates in a six-year period, but would still provide for a timely comprehensive revaluation.

It appears that most states require periodic revaluations, with intervals ranging from one year to ten years. How does Rhode Island compare to bordering states?

In 2004 the Connecticut General Assembly (Section 3 of P.A. 04-2-May Special Session) amended that state law require that “revaluations be conducted every five years and physical inspections be made every ten years. This law replaced a requirement where each municipality was required to implement a revaluation every four years with a physical inspection every twelve years.

Massachusetts’ schedule of revaluation is described below. In Massachusetts, assessors are required to submit assessed values (defined as “full and fair cash value” or 100 percent of fair market value) to

the State Department of Revenue for certification every three years. In the years between certification, assessors must also maintain the values by reviewing sales and the market every year, thereby reassessing values each year.

Changing the frequency of property revaluations could have a number of impacts on cities and towns and their taxpayers in the Ocean State. Dated property valuations can result in property taxpayers being treated unfairly. For example, take neighborhood “A”, experiencing declining or slow growing values and neighborhood “B” only a few blocks away, experiencing dramatically increasing values. Until a revaluation is conducted, those living in neighborhood “A” would be paying more than their fair share. Conversely, those residing in neighborhood “B” would be paying less than their fair share.

Maintaining current values is also critical for a number of reasons. More up-to-date property values will provide State and local policymakers with current and accurate data for use to administer the State’s local aid programs. For example, as State officials continue to discuss changes to education aid formulas it is necessary that they have reliable data that accurately reflects the property values in each community.

Furthermore, current property values can provide bond rating agencies with more accurate and timely information. Credit rating agencies use property valuation data to help evaluate a locality’s revenue base, economic condition and debt position.

In summary, decreasing the frequency of property revaluations could result in less equity within and among jurisdictions; reduce the accuracy and reliability of data used to calculate and distribute State aid in the future; and result in credit rating agencies having less “real time” data to use in determining the credit worthiness of Rhode Island’s 39 cities and towns.

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