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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2013

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A N A C T

RELATING TO TAXATION - MAXIMUM TAX LEVY AND FIRE DISTRICTS

Introduced By: Representatives Gallison, Edwards, Blazejewski, Slater, and Kazarian

Date Introduced: February 28, 2013

Referred To: House Municipal Government

(Governor)

It is enacted by the General Assembly as follows:

- 1 SECTION 1. Sections 44-5-2, 44-5-22 and 44-5-69 of the General Laws in Chapter 44-5
2 entitled "Levy and Assessment of Local Taxes" are hereby amended to read as follows:
3 **44-5-2. Maximum levy.** -- (a) Through and including its fiscal year 2007, a city or town
4 may levy a tax in an amount not more than five and one-half percent (5.5%) in excess of the
5 amount levied and certified by that city or town for the prior year. Through and including its
6 fiscal year 2007, but in no fiscal year thereafter, the amount levied by a city or town is deemed to
7 be consistent with the five and one-half percent (5.5%) levy growth cap if the tax rate is not more
8 than one hundred and five and one-half percent (105.5%) of the prior year's tax rate and the
9 budget resolution or ordinance, as applicable, specifies that the tax rate is not increasing by more
10 than five and one-half percent (5.5%) except as specified in subsection (c) of this section. In all
11 years when a revaluation or update is not being implemented, a tax rate is deemed to be one
12 hundred five and one-half percent (105.5%) or less of the prior year's tax rate if the tax on a
13 parcel of real property, the value of which is unchanged for purpose of taxation, is no more than
14 one hundred five and one-half percent (105.5%) of the prior year's tax on the same parcel of real
15 property. In any year through and including fiscal year 2007 when a revaluation or update is
16 being implemented, the tax rate is deemed to be one hundred five and one-half percent (105.5%)
17 of the prior year's tax rate as certified by the division of ~~property valuation and~~ municipal finance
18 in the department of revenue.
19 (b) In its fiscal year 2008, a city or town may levy a tax in an amount not more than

1 five and one-quarter percent (5.25%) in excess of the total amount levied and certified by that city
2 or town for its fiscal year 2007. In its fiscal year 2009, a city or town may levy a tax in an amount
3 not more than five percent (5%) in excess of the total amount levied and certified by that city or
4 town for its fiscal year 2008. In its fiscal year 2010, a city or town may levy a tax in an amount
5 not more than four and three-quarters percent (4.75%) in excess of the total amount levied and
6 certified by that city or town in its fiscal year 2009. In its fiscal year 2011, a city or town may
7 levy a tax in an amount not more than four and one-half percent (4.5%) in excess of the total
8 amount levied and certified by that city or town in its fiscal year 2010. In its fiscal year 2012, a
9 city or town may levy a tax in an amount not more than four and one-quarter percent (4.25%) in
10 excess of the total amount levied and certified by that city or town in its fiscal year 2011. In its
11 fiscal year 2013 and in each fiscal year thereafter, a city or town or a fire district for its fiscal year
12 2014 and thereafter may levy a tax in an amount not more than four percent (4%) in excess of the
13 total amount levied and certified by that city or town or fire district for its previous fiscal year.

14 (c) The division of ~~property valuation~~ municipal finance in the department of revenue
15 shall monitor city and town and fire districts' compliance with this levy cap, issue periodic
16 reports to the general assembly on compliance, and make recommendations on the continuation
17 or modification of the levy cap on or before December 31, 1987, December 31, 1990, and
18 December 31, every third year thereafter. The chief elected official in each city and town and the
19 appropriate fire district official in each fire district shall provide to the division of ~~property and~~
20 municipal finance within thirty (30) days of final action, in the form required, the adopted tax
21 levy and rate and other pertinent information as requested by the division of municipal finance.

22 (d) The amount levied by a city or town or fire district may exceed the percentage
23 increase as specified in subsection (a) or (b) of this section if the city or town or fire district
24 qualifies under one or more of the following provisions:

25 (1) The city or town or fire district forecasts or experiences a loss in total non-property
26 tax revenues and the loss is certified by the department of revenue.

27 (2) The city or town or fire district experiences or anticipates an emergency situation,
28 which causes or will cause the levy to exceed the percentage increase as specified in subsection
29 (a) or (b) of this section. In the event of an emergency or an anticipated emergency, the city or
30 town or fire district ~~hall~~ shall notify the auditor general who shall certify the existence or
31 anticipated existence of the emergency. Without limiting the generality of the foregoing, an
32 emergency shall be deemed to exist when the city or town or fire district experiences or
33 anticipates health insurance costs, retirement contributions or utility expenditures which exceed
34 the prior fiscal year's health insurance costs, retirement contributions or utility expenditures by a

1 percentage greater than three (3) times the percentage increase as specified in subsection (a) or
2 (b) of this section. In addition, with respect to fire districts, the auditor general may determine
3 that an emergency exists when the fire district experiences unique financial circumstances
4 resulting in expenditures increasing by a percentage greater than three (3) times the percentage
5 increase as specified in subsection (a) or (b) of this section.

6 (3) A city or town or fire district forecasts or experiences debt services expenditures
7 which exceed the prior year's debt service expenditures by an amount greater than the percentage
8 increase as specified in subsection (a) or (b) of this section and which are the result of bonded
9 debt issued in a manner consistent with general law or a special act. In the event of the debt
10 service increase, the city or town or fire district shall notify the department of revenue which shall
11 certify the debt service increase above the percentage increase as specified in subsection (a) or (b)
12 of this section the prior year's debt service. No action approving or disapproving exceeding a levy
13 cap under the provisions of this section affects the requirement to pay obligations as described in
14 subsection (d) of this section.

15 (4) The city or town or fire district experiences substantial growth in its tax base as the
16 result of major new construction which necessitates either significant infrastructure or school
17 housing expenditures by the city or town or fire district or a significant increase in the need for
18 essential municipal services or fire safety services and such increase in expenditures or demand
19 for services is certified by the department of revenue.

20 (5) The town is required pursuant to subsection 44-5-69(b) to provide fire protection
21 services previously provided by a fire district that has been liquidated and, therefore, imposes a
22 special assessment as permitted under subsection 44-5-69(b). As a result, the combination of the
23 town's tax levy and the special assessment causes the town to experience and/or forecast
24 expenditures which would result in an increase in the tax levy and which, if the special
25 assessment were permitted to be included in the town's tax levy, then the town's tax levy would
26 increase by more than the percentage increase specified in subsection (a) or (b) of this section. In
27 any subsequent year, the town shall comply with the maximum levy pursuant to subsections 44-5-
28 2 (a) or (b) for both the town's levy and the special assessment.

29 (e) Any levy pursuant to subsection (d) of this section in excess of the percentage
30 increase specified in subsection (a) or (b) of this section shall be approved by the affirmative vote
31 of at least four-fifths (4/5) of the full membership of the governing body of the city or town or
32 fire district or in the case of a city or town or fire district having a financial town meeting, or its
33 equivalent, the majority of the electors present and voting at the town financial meeting or its
34 equivalent, shall also approve the excess levy.

1 (f) Nothing contained in this section constrains the payment of present or future
2 obligations as prescribed by § 45-12-1, and all taxable property in each city or town or fire district
3 is subject to taxation without limitation as to rate or amount to pay general obligation bonds or
4 notes of the city or town or fire district except as otherwise specifically provided by law or
5 charter.

6 SECTION 2. Section 44-5-22 of the General Laws in Chapter 44-5 entitled "Levy and
7 Assessment of Local Taxes" is hereby amended to read as follows:

8 **44-5-22. Certification of tax roll.** -- The tax levy shall be applied to the assessment roll
9 and the resulting tax roll certified by the assessors to the city or town clerk, city or town treasurer,
10 or tax collector, as the case may be, and to the department of revenue division of municipal
11 finance, not later than the next succeeding August 15. In the case of a fire district, the tax levy
12 shall be applied to the assessment roll and the resulting tax roll certified by the fire district's tax
13 assessors, treasurers or other appropriate fire district officials to the town clerk, town treasurer,
14 tax assessor or tax collector, as the case may be, and to the department of revenue, division of
15 municipal finance, not later than thirty (30) business days prior to a fire district's annual meeting.

16 SECTION 3. Section 44-5-69 of the General Laws in Chapter 44-5 entitled "Levy and
17 Assessment of Local Taxes" is hereby amended to read as follows:

18 **44-5-69. Local fire districts -- Publication of property tax data. -- Local fire districts**
19 **-- Requirement of annual financial statements and property tax data -- Effect of liquidation**
20 **of fire districts.** -- (a) Every fire district authorized to assess and collect taxes on real and
21 personal property in the several ~~cities and~~ towns in the state shall be required to have annual
22 financial statements prepared and audited by an independent auditing firm approved pursuant to
23 section 45-10-4 by the state auditor general. The financial statements for FY 2014 and every year
24 thereafter shall be presented at the district's first annual meeting subsequent to receipt of said
25 financial statements. At least ten (10) days prior to said annual meeting, a copy of such financial
26 statements shall be filed by the fire district with the town clerk for the town in which the
27 district(s) is located. A copy of the financial statements shall be simultaneously sent to the state
28 auditor general and the division of municipal finance in the department of revenue ("division").
29 The fire districts shall also provide to the division ~~of property valuation and~~ municipal finance in
30 the department of revenue information on tax rates, budgets, assessed valuations and other
31 pertinent data upon forms provided by the division of ~~property valuation and~~ municipal finance.
32 The information shall be ~~included in the department's annual state report on local governmental~~
33 ~~finances and tax equalization~~ published by the department of revenue.

34 (b) In the event that a fire district is liquidated, the town in which the liquidated fire

1 district lies shall be required to provide all services that had previously been provided by such
2 district in the manner that the town determines is the most cost effective way. In order to pay for
3 the services, the town is authorized to impose a special assessment on the property located within
4 the district previously served by the liquidated fire district which assessment shall be based upon
5 the certification of the town. In the event of such liquidation, the special assessment is subject to
6 the provisions of section 44-5-2 and the property tax and fiscal disclosure requirements of
7 section 44-35-1 et seq.

8 SECTION 4. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TAXATION - MAXIMUM TAX LEVY AND FIRE DISTRICTS

1 This act would make fire districts subject to the maximum levy and annual financial
2 reporting requirements. It would also provide for situations involving fire district liquidation.

3 This act would take effect upon passage.

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