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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2012

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A N A C T

RELATING TO TAXATION - EXCISE ON MOTOR VEHICLES

Introduced By: Senators Tassoni, Lynch, Cote, Jabour, and Doyle

Date Introduced: January 11, 2012

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-5-2 of the General Laws in Chapter 44-5 entitled "Levy and
2 Assessment of Local Taxes" is 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 five

1 and one-quarter percent (5.25%) in excess of the total amount levied and certified by that city or
2 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 may levy a tax in an amount not
12 more than four percent (4%) in excess of the total amount levied and certified by that city or town
13 for its previous fiscal year: provided, however, that the total amount levied and certified by that
14 city or town for fiscal years 2012 and 2013 may be exceeded to account for changes to motor
15 vehicle values.

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

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

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

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

1 or utility expenditures by a percentage greater than three (3) times the percentage increase as
2 specified in subsection (a) or (b) of this section.

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

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

17 (e) Any levy pursuant to subsection (d) of this section in excess of the percentage
18 increase specified in subsection (a) or (b) of this section shall be approved by the affirmative vote
19 of at least four-fifths (4/5) of the full membership of the governing body of the city or town or in
20 the case of a city or town having a financial town meeting, the majority of the electors present
21 and voting at the town financial meeting shall also approve the excess levy.

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

26 SECTION 2. Section 44-34.1-1 of the General Laws in Chapter 44-34.1 entitled "Motor
27 Vehicle and Trailer Excise Tax Elimination Act of 1998" is hereby amended to read as follows:

28 **44-34.1-1. Excise tax phase-out.** -- (a) (1) Notwithstanding the provisions of chapter 34
29 of this title or any other provisions to the contrary, the motor vehicle and trailer excise tax
30 established by section 44-34-1 may be phased out. The phase-out shall apply to all motor vehicles
31 and trailers, including leased vehicles.

32 (2) Lessors of vehicles that pay excise taxes directly to municipalities shall provide
33 lessees, at the time of entering into the lease agreement, an estimate of annual excise taxes
34 payable throughout the term of the lease. In the event the actual excise tax is less than the

1 estimated excise tax, the lessor shall annually rebate to the lessee the difference between the
2 actual excise tax and the estimated excise tax.

3 (b) Pursuant to the provisions of this section, all motor vehicles shall be assessed a value
4 by the vehicle value commission. That value shall be assessed according to the provisions of
5 section 44-34-11(c)(1) and in accordance with the terms as defined in subsection (d) of this
6 section; provided, however, that the maximum taxable value percentage applicable to model year
7 values as of December 31, 1997, shall continue to be applicable in future year valuations aged by
8 one year in each succeeding year.

9 (c) (1) The motor vehicle excise tax phase-out shall commence with the excise tax bills
10 mailed to taxpayers for the fiscal year 2000. The phase-out, beyond fiscal year 2003, shall be
11 subject to annual review and appropriation by the general assembly. The tax assessors of the
12 various cities and towns and fire districts shall reduce the average retail value of each vehicle
13 assessed by using the prorated exemptions from the following table:

14 Local Fiscal Year State fiscal year
15 Exempt from value Local Exemption Reimbursement

16 fiscal year 1999 0 \$1,500

17 fiscal year 2000 \$1,500 \$2,500

18 fiscal year 2001 \$2,500 \$3,500

19 fiscal year 2002 \$3,500 \$4,500

20 fiscal years 2003, 2004 and 2005 \$4,500 \$4,500

21 for fiscal year 2006 and \$5,000 \$5,000

22 for fiscal year 2007 \$6,000 \$6,000

23 for fiscal years 2008, 2009 and 2010 the exemption and the state fiscal year reimbursement shall
24 be increased, at a minimum, to the maximum amount to the nearest two hundred and fifty dollar
25 (\$250) increment within the allocation of one and twenty-two hundredths percent (1.22%) of net
26 terminal income derived from video lottery games pursuant to the provisions of section 42-61-15,
27 and in no event shall the exemption in any fiscal year be less than the prior fiscal year. For fiscal
28 year 2011 and thereafter, the exemption shall be five hundred dollars (\$500). Cities and towns
29 may provide an additional exemption; provided, however, any such additional exemption shall
30 not be subject to reimbursement.

31 (2) The excise tax phase-out shall provide levels of assessed value reductions until the tax
32 is eliminated or reduced as provided in this chapter.

33 (3) Current exemptions shall remain in effect as provided in this chapter.

34 (4) The excise tax rates and ratios of assessment shall be maintained at a level identical to

1 the level in effect for fiscal year 1998 for each city, town, and fire district; provided, in the town
2 of Johnston the excise tax rate and ratios of assessment shall be maintained at a level identical to
3 the level in effect for fiscal year 1999 levels and the levy of a city, town, or fire district shall be
4 limited to the lesser of the maximum taxable value or net assessed value for purposes of
5 collecting the tax in any given year. ~~Provided, however, for~~ For fiscal year 2011 and thereafter,
6 the rates and ratios of assessment may be less than but not more than the rates described in this
7 subsection (4); provided, however, that for fiscal years 2012 and 2013, the rates and ratios of
8 assessment may be increased.

9 (d) Definitions.

10 (1) "Maximum taxable value" means the value of vehicles as prescribed by section 44-34-
11 11 reduced by the percentage of assessed value applicable to model year values as determined by
12 the Rhode Island vehicle value commission as of December 31, 1997, for the vehicles valued by
13 the commission as of December 31, 1997. For all vehicle value types not valued by the Rhode
14 Island vehicle value commission as of December 31, 1997, the maximum taxable value shall be
15 the latest value determined by a local assessor from an appropriate pricing guide, multiplied by
16 the ratio of assessment used by that city, town, or fire district for a particular model year as of
17 December 31, 1997.

18 (2) "Net assessed value" means the motor vehicle values as determined in accordance
19 with section 44-34-11 less all personal exemptions allowed by cities, towns, fire districts, and the
20 state of Rhode Island exemption value as provided for in section 44-34.1-1(c)(1).

21 (e) If any provision of this chapter shall be held invalid by any court of competent
22 jurisdiction, the remainder of this chapter and the applications of the provisions hereof shall not
23 be effected thereby.

24 SECTION 3. Sections 44-34-2 and 44-34-9 of the General Laws in Chapter 44-34
25 entitled "Excise on Motor Vehicles and Trailers" are hereby amended to read as follows:

26 **44-34-2. Assessment -- Valuation -- Proration -- Abatement and cancellation --**
27 **Exemptions from tax.** -- (a) Except as provided in this section, the tax assessors of each city and
28 town shall assess and levy in each calendar year on every vehicle and trailer registered under
29 chapter 3 of title 31, for the privilege of the registration, an excise measured by its value, as
30 subsequently defined and determined. For the purpose of this excise, the uniform value of each
31 vehicle shall be determined in accordance with the regulations of the vehicle value commission.
32 Any vehicle which is more than ~~twenty-five (25)~~ twenty (20) years old, whether or not the vehicle
33 is an antique motor car as defined in section 31-1-3(a), shall be deemed to possess an average
34 retail value of ~~five hundred~~ one thousand dollars ~~(\$500)~~ (\$1,000). ~~Any vehicle more than twenty-~~

1 ~~five (25) years old on June 16, 1987, whether or not the vehicle is an antique motor car as defined~~
2 ~~in section 31-1-3(a), shall be deemed to have an average retail value of five hundred dollars~~
3 ~~(\$500) or its actual retail value whichever is less.~~ The minimum excise tax on any vehicle, if
4 registered to the same owner for a full year or portion of the year, shall not be less than five
5 dollars (\$5.00) unless the registration is transferred to one or more additional vehicles or trailers,
6 in which case the minimum or combined excise taxes shall not be less than five dollars (\$5.00).
7 Beginning in fiscal year 2001, the assessor may, but is not required to, issue minimum tax bills as
8 authorized by this section or any general or public law. Beginning in fiscal year 2002 and
9 thereafter, the assessor shall not issue minimum tax bills, notwithstanding any general or public
10 law to the contrary. The assessor may waive the excise tax on any vehicle where the annual levy
11 would be less than five dollars (\$5.00). The state shall not provide reimbursement for any waiver.

12 (b) Vehicle and trailer excises shall be prorated over the calendar year prior to the year in
13 which the excises are levied and billed, that year being referred to as the calendar year of
14 proration.

15 (c) The excise levy on every vehicle and trailer registered under chapter 3 of title 31
16 shall be based on the ratio that the number of days the vehicle or trailer is registered is to the
17 number of days in the calendar year of proration.

18 (d) If during the calendar year of proration, the owner of a vehicle or trailer subject to the
19 excise moves permanently with his or her vehicle to another state and cancels his or her
20 registration in this state and returns the registration plates, the vehicle shall be exempt from excise
21 for the ensuing year.

22 (e) "Year of manufacture" as used in this section means the year used by the
23 manufacturer of the vehicle or trailer in connection with the designation by the manufacturer of
24 the model of the vehicle or trailer. Where the presumptive price of a vehicle or trailer is not
25 readily obtainable, or special equipment is installed on the vehicle or trailer, the tax assessor shall
26 prescribe the retail price to be used or the manner in which the retail price shall be determined.

27 (f) Nothing in this section shall be construed to prevent any city or town council from
28 granting an abatement, in whole or in part, when there is an error in the assessment of a tax, and
29 the tax assessors have certified to the fact, in writing, to the city or town council to cancel taxes
30 stating the nature of the error, the valuation of the vehicle or trailer, the amount of the assessed
31 tax and the name of the person to whom the vehicle or trailer was taxed.

32 (g) The city or town council may cancel, in whole or in part, an excise tax assessed to a
33 person who has died leaving no estate, or a person who has moved from the state, and the tax
34 collector or person acting in the capacity of tax collector certifies to the city or town council the

1 facts of the case.

2 (h) The excise imposed by this section shall not apply to vehicles or trailers owned by
3 the state of Rhode Island or any of its political subdivisions, or to vehicles or trailers owned by a
4 corporation, association or other organization whose tangible personal property is exempt under
5 section 44-3-3(1) -- (15), or to vehicles assessed and taxed under section 44-13-13, or those
6 owned by the United States government. Farm vehicles shall be exempt to the extent prescribed
7 in section 44-5-42.

8 **44-34-9. Valuation of motor vehicles.** -- For the purpose of the imposition of an excise
9 tax upon motor vehicles, the tax assessor shall determine the value of each motor vehicle in
10 accordance with the following procedures:

11 (1) Each vehicle and trailer of the same make, type, model, and year of manufacture in
12 this state shall be deemed to have one uniform statewide value to be utilized in each city and
13 town, except in those instances where no uniform value is established pursuant to the rules of the
14 vehicle value commission section 44-34-11 or where a value is established by the assessor
15 pursuant to section 44-34-2.

16 (2) The uniform value of each type of vehicle and trailer shall be determined by the
17 Rhode Island vehicle value commission or in accordance with the rules of the vehicle value
18 commission; provided, however, that said value shall include depreciation at a rate of four percent
19 (4%) per year beginning in the second year of the vehicle life.

20 (3) The value of each vehicle or trailer or each type vehicle or trailer not established by
21 the Rhode Island vehicle value commission shall be determined by the assessor of the city or
22 town in which the vehicle or trailer is registered. In making the determination, a uniform flat
23 value for the vehicles in the municipality may be utilized by the assessor.

24 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 - EXCISE ON MOTOR VEHICLES

1 This act would require that uniform value of motor vehicles include depreciation at a rate
2 of four percent (4%) per year. It would also establish a minimum value of one thousand dollars
3 (\$1,000) for any vehicle older than twenty (20) years old and allow cities, towns and fire districts
4 to increase their tax rates and exceed the maximum levy for fiscal years 2012 and 2013.

5 This act would take effect upon passage.

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