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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

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A N A C T

RELATING TO TAXATION - MOTOR VEHICLE AND TRAILER EXCISE TAX
ELIMINATION ACT OF 1998

Introduced By: Representatives Coughlin, Solomon, Kazarian, Barros, and Johnston

Date Introduced: April 13, 2016

Referred To: House Finance

It is enacted by the General Assembly as follows:

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

3 **44-34.1-1. Excise tax phase-out.** -- (a)(1) Notwithstanding the provisions of chapter 34
4 of this title or any other provisions to the contrary, the motor vehicle and trailer excise tax
5 established by § 44-34-1 ~~may~~ shall be phased out. The phase-out shall apply to all motor vehicles
6 and trailers, including leased vehicles.

7 (2) Lessors of vehicles that pay excise taxes directly to municipalities shall provide
8 lessees, at the time of entering into the lease agreement, an estimate of annual excise taxes
9 payable throughout the term of the lease. In the event the actual excise tax is less than the
10 estimated excise tax, the lessor shall annually rebate to the lessee the difference between the
11 actual excise tax and the estimated excise tax.

12 (b) Pursuant to the provisions of this section, all motor vehicles shall be assessed a value
13 by the vehicle value commission. That value shall be assessed according to the provisions of §
14 44-34-11(c)(1) and in accordance with the terms as defined in subsection (d) of this section;
15 provided, however, that the maximum taxable value percentage applicable to model year values
16 as of December 31, 1997, shall continue to be applicable in future year valuations aged by one
17 year in each succeeding year.

18 (c)(1) The motor vehicle excise tax phase-out shall commence with the excise tax bills

1 mailed to taxpayers for the fiscal year 2000. The phase-out, beyond fiscal year 2003, shall be
 2 subject to annual review and appropriation by the general assembly. The tax assessors of the
 3 various cities and towns and fire districts shall reduce the average retail value of each vehicle
 4 assessed by using the prorated exemptions from the following table:

5 Local Fiscal Year Exempt from value	Local Exemption	State fiscal year Reimbursement
6 fiscal year 1999	0	\$1,500
7 fiscal year 2000	\$1,500	\$2,500
8 fiscal year 2001	\$2,500	\$3,500
9 fiscal year 2002	\$3,500	\$4,500
10 fiscal years 2003, 2004 and 2005	\$4,500	\$4,500
11 for fiscal year 2006 and	\$5,000	\$5,000
12 for fiscal year 2007	\$6,000	\$6,000

13 for fiscal years 2008, 2009 and 2010 the exemption and the state fiscal year
 14 reimbursement shall be increased, at a minimum, to the maximum amount to the nearest two
 15 hundred and fifty dollar (\$250) increment within the allocation of one and twenty-two hundredths
 16 percent (1.22%) of net terminal income derived from video lottery games pursuant to the
 17 provisions of § 42-61-15, and in no event shall the exemption in any fiscal year be less than the
 18 prior fiscal year.

19 for fiscal year 2011, 2012, 2013, 2014, 2015 and 2016 ~~and thereafter~~, the exemption shall
 20 be five hundred dollars (\$500). Cities and towns may provide an additional exemption; provided,
 21 however, any such additional exemption shall not be subject to reimbursement.

22 for fiscal year 2017, the exemption shall be five thousand dollars (\$5,000).

23 for fiscal year 2018, the exemption shall be ten thousand dollars (\$10,000).

24 (2) ~~The~~ For fiscal year 2019 and thereafter, the excise tax phase-out shall provide levels
 25 of assessed value reductions ~~until the tax is eliminated or reduced~~ to eliminate the tax as provided
 26 in this chapter.

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

28 (4) The excise tax rates and ratios of assessment shall be maintained at a level identical to
 29 the level in effect for fiscal year 1998 for each city, town, and fire district; provided, in the town
 30 of Johnston the excise tax rate and ratios of assessment shall be maintained at a level identical to
 31 the level in effect for fiscal year 1999 levels and the levy of a city, town, or fire district shall be
 32 limited to the lesser of the maximum taxable value or net assessed value for purposes of
 33 collecting the tax in any given year. Provided, however, for fiscal year 2011 and thereafter, the
 34 rates and ratios of assessment may be less than but not more than the rates described in this

1 subsection (4).

2 (d) Definitions.

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

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

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

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

19 **44-34.1-2. City and town and fire district reimbursement.** -- (a) In fiscal years 2000
20 and thereafter, cities and towns and fire districts shall receive reimbursements, as set forth in this
21 section, from state general revenues equal to the amount of lost tax revenue due to the phase out
22 or reduction of the excise tax. Cities and towns and fire districts shall receive advance
23 reimbursements through state fiscal year 2002. ~~In the event the tax is phased out,~~ [For fiscal year](#)
24 [2017 and thereafter,](#) cities and towns and fire districts shall receive a permanent distribution of
25 sales tax revenue pursuant to § 44-18-18 in an amount equal to any lost revenue resulting from
26 the excise tax elimination [as provided in §44-34.1-1.](#) [Provided further, for fiscal year 2019 and](#)
27 [thereafter, any reimbursement for lost tax revenue to the cities and towns and fire districts in](#)
28 [excess of the amounts reimbursed for fiscal years 2017 and 2018 shall be from a permanent](#)
29 [distribution of revenue generated and allocated to the general fund pursuant to chapter 61.2 of](#)
30 [title 42, in an amount equal to any lost revenue resulting from the elimination of the excise tax.](#)
31 Lost revenues must be determined using a base tax rate fixed at fiscal year 1998 levels for each
32 city, town, and fire district, except that the Town of Johnston's base tax rate must be fixed at a
33 fiscal year 1999 level. Provided, however, for fiscal year 2011 and thereafter, the base tax rate
34 may be less than but not more than the rates described in this subsection (a).

1 (b) (1) The director of administration shall determine the amount of general revenues to
2 be distributed to each city and town and fire district for the fiscal years 1999 and thereafter so that
3 every city and town and fire district is held harmless from tax loss resulting from this chapter,
4 assuming that tax rates are indexed to inflation through fiscal year 2003.

5 (2) The director of administration shall index the tax rates for inflation by applying the
6 annual change in the December Consumer Price Index -- All Urban Consumers (CPI-U),
7 published by the Bureau of Labor Statistics of the United States Department of Labor, to the
8 indexed tax rate used for the prior fiscal year calculation; provided, that for state reimbursements
9 in fiscal years 2004 and thereafter, the indexed tax rate shall not be subject to further CPI-U
10 adjustments. The director shall apply the following principles in determining reimbursements:

11 (i) Exemptions granted by cities and towns and fire districts in the fiscal year 1998 must
12 be applied to assessed values prior to applying the exemptions in § 44-34.1-1(c)(1). Cities and
13 towns and fire districts will not be reimbursed for these exemptions.

14 (ii) City, town, and fire districts shall be reimbursed by the state for revenue losses
15 attributable to the exemptions provided for in § 44-34.1-1 and the inflation indexing of tax rates
16 through fiscal 2003. Reimbursement for revenue losses shall be calculated based upon the
17 difference between the maximum taxable value less personal exemptions and the net assessed
18 value.

19 (iii) Inflation reimbursements shall be the difference between:

20 (A) The levy calculated at the tax rate used by each city and town and fire district for
21 fiscal year 1998 after adjustments for personal exemptions but prior to adjustments for
22 exemptions contained in § 44-34.1-1(c)(1); provided, that for the town of Johnston the tax rate
23 used for fiscal year 1999 must be used for the calculation; and

24 (B) The levy calculated by applying the appropriate cumulative inflation adjustment
25 through state fiscal 2003 to the tax rate used by each city and town and fire district for fiscal year
26 1998; provided, that for the town of Johnston the tax rate used for fiscal year 1999 shall be used
27 for the calculation after adjustments for personal exemptions but prior to adjustments for
28 exemptions contained in § 44-34.1-1.

29 (c) (1) Funds shall be distributed to the cities and towns and fire districts as follows:

30 (i) On October 20, 1998, and each October 20 thereafter through October 20, 2001,
31 twenty-five percent (25%) of the amount calculated by the director of administration to be the
32 difference for the upcoming fiscal year.

33 (ii) On February 20, 1999, and each February 20 thereafter through February 20, 2002,
34 twenty-five percent (25%) of the amount calculated by the director of administration to be the

1 difference for the upcoming fiscal year.

2 (iii) On June 20, 1999, and each June 20 thereafter through June 20, 2002, fifty percent
3 (50%) of the amount calculated by the director of administration to be the difference for the
4 upcoming fiscal year.

5 (iv) On August 1, 2002, and each August 1 thereafter, twenty-five percent (25%) of the
6 amount calculated by the director of administration to be the difference for the current fiscal year.

7 (v) On November 1, 2002, and each November 1 thereafter, twenty-five percent (25%)
8 of the amount calculated by the director of administration to be the difference for the current
9 fiscal year.

10 (vi) On February 1, 2003, and each February 1 thereafter, twenty-five percent (25%) of
11 the amount calculated by the director of administration to be the difference for the current fiscal
12 year.

13 (vii) On May 1, 2003, and each May 1 thereafter, except May 1, 2010, twenty-five
14 percent (25%) of the amount calculated by the director of administration to be the difference for
15 the current fiscal year.

16 (viii) On June 15, 2010, twenty-five percent (25%) of the amount calculated by the
17 director of administration to be the difference for the current fiscal year.

18 Provided, however, the February and May payments, and June payment in 2010, shall be
19 subject to submission of final certified and reconciled motor vehicle levy information.

20 (2) Each city, town, or fire district shall submit final certified and reconciled motor
21 vehicle levy information by August 30 of each year. Any adjustment to the estimated amounts
22 paid in the previous fiscal year shall be included or deducted from the payment due November 1.

23 (3) On any of the payment dates specified in paragraphs (1)(i) through (vii) of this
24 subsection, the director is authorized to deduct previously made over-payments or add
25 supplemental payments as may be required to bring the reimbursements into full compliance with
26 the requirements of this chapter.

27 (4) For the city of East Providence, the payment schedule is twenty-five percent (25%)
28 on February 20, 1999, and each February 20 thereafter through February 20, 2002, twenty-five
29 percent (25%) on June 20, 1999, and each June 20 thereafter through June 20, 2002, which
30 includes final reconciliation of the previous year's payment, and fifty percent (50%) on October
31 20, 1999, and each October 20 thereafter through October 20, 2002. For local fiscal years 2003
32 and thereafter, the payment schedule is twenty-five percent (25%) on each November 1, twenty-
33 five percent (25%) on each February 1, twenty-five percent (25%) on each May 1, which includes
34 final reconciliation of the previous year's payment, and twenty-five percent (25%) on each

1 August 1; provided, the May and August payments shall be subject to submission of final
2 certified and reconciled motor vehicle levy information.

3 (5) When the tax is phased out, funds distributed to the cities, towns, and fire districts for
4 the following fiscal year shall be calculated as the funds distributed in the fiscal year of the phase-
5 out. Twenty-five percent (25%) of the amounts calculated shall be distributed to the cities and
6 towns and fire districts on August 1, in the fiscal year of the phase-out, twenty-five percent (25%)
7 on the following November 1, twenty-five percent (25%) on the following February 1, and
8 twenty-five percent (25%) on the following May 1. The funds shall be distributed to each city and
9 town and fire district in the same proportion as distributed in the fiscal year of the phase-out.

10 (6) When the tax is phased out to August 1, of the following fiscal year the director of
11 administration shall calculate to the nearest tenth of one cent (\$.001) the number of cents of sales
12 tax received for the fiscal year ending June 30, of the year following the phase-out equal to the
13 amount of funds distributed to the cities, towns, and fire districts under this chapter during the
14 fiscal year following the phase-out and the percent of the total funds distributed in the fiscal year
15 following the phase-out received by each city, town, and fire district, calculated to the nearest
16 one-hundredth of one percent (0.01%). The director of the department of administration shall
17 transmit those calculations to the governor, the speaker of the house, the president of the senate,
18 the chairperson of the house finance committee, the chairperson of the senate finance committee,
19 the house fiscal advisor, and the senate fiscal advisor. The number of cents, applied to the sales
20 taxes received for the prior fiscal year, shall be the basis for determining the amount of sales tax
21 to be distributed to the cities and towns and fire districts under this chapter for second fiscal year
22 following the phase-out and each year thereafter. The cities and towns and fire districts shall
23 receive that amount of sales tax in the proportions calculated by the director of administration as
24 that received in the fiscal year following the phase-out.

25 (7) When the tax is phased out, twenty-five percent (25%) of the funds shall be
26 distributed to the cities, towns, and fire districts on August 1, of the following fiscal year and
27 every August 1 thereafter; twenty-five percent (25%) shall be distributed on the following
28 November 1, and every November 1 thereafter; twenty-five percent (25%) shall be distributed on
29 the following February 1, and every February 1 thereafter; and twenty-five percent (25%) shall be
30 distributed on the following May 1, and every May 1 thereafter.

31 (8) For the city of East Providence, in the event the tax is phased out, twenty-five percent
32 (25%) shall be distributed on November 1, of the following fiscal year and every November 1
33 thereafter, twenty-five percent (25%) shall be distributed on the following February 1, and every
34 February 1 thereafter; twenty-five percent (25%) shall be distributed on the following May 1, and

1 every May 1 thereafter; and twenty-five percent (25%) of the funds shall be distributed on the
2 following August 1, and every August 1 thereafter.

3 (9) As provided for in § 44-34-6, the authority of fire districts to tax motor vehicles is
4 eliminated effective with the year 2000 tax roll and the state reimbursement for fire districts shall
5 be based on the provisions of § 44-34-6. All references to fire districts in this chapter do not apply
6 to the year 2001 tax roll and thereafter.

7 (10) For reimbursements payable in the year ending June 30, 2008 and thereafter, the
8 director of administration shall discount the calculated value of the exemption to ninety-eight
9 percent (98%) in order to establish a collection rate that is comparable to the collection rate
10 achieved by municipalities in the levy of the motor vehicle excise tax.

11 (11) For reimbursements payable in the year ending June 30, 2010, the director of
12 administration shall reimburse cities and towns eighty-eight percent (88%) of the reimbursements
13 payable pursuant to subdivision (c)(10) above.

14 (12) For fiscal year 2011 and thereafter, the state shall reimburse cities and towns for the
15 exemption pursuant to subdivision (c)(10) above, ratably reduced to the appropriation.

16 SECTION 3. 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 - MOTOR VEHICLE AND TRAILER EXCISE TAX
ELIMINATION ACT OF 1998

1 This act would eliminate the motor vehicle and trailer excise tax by fiscal year 2019, and
2 would further provide that reimbursement for lost tax revenue would be provided to the cities,
3 towns and fire districts from the sales tax and lottery revenue.

4 This act would take effect upon passage.

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