

2014 -- S 2204

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

A N A C T

RELATING TO TAXATION - MOTOR VEHICLE EXCISE TAX

Introduced By: Senators Pearson, Satchell, and Sheehan

Date Introduced: January 30, 2014

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-34.1-2 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 ~~44-34.1-2. City and town and fire district reimbursement. --- City and town~~
4 ~~reimbursement. -- (a) In fiscal years 2000 and thereafter, cities and towns and fire districts shall~~
5 ~~receive reimbursements, as set forth in this section, from state general revenues equal to the~~
6 ~~amount of lost tax revenue due to the phase out or reduction of the excise tax. Cities and towns~~
7 ~~and fire districts shall receive advance reimbursements through state fiscal year 2002. In the event~~
8 ~~the tax is phased out, cities and towns and fire districts shall receive a permanent distribution of~~
9 ~~sales tax revenue pursuant to section 44-18-18 in an amount equal to any lost revenue resulting~~
10 ~~from the excise tax elimination. Lost revenues must be determined using a base tax rate fixed at~~
11 ~~fiscal year 1998 levels for each city, town, and fire district, except that the Town of Johnston's~~
12 ~~base tax rate must be fixed at a fiscal year 1999 level. Provided, however, for fiscal year 2011 and~~
13 ~~thereafter, the base tax rate may be less than but not more than the rates described in this~~
14 ~~subsection (a).~~

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

19 ~~(2) The director of administration shall index the tax rates for inflation by applying the~~

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

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

9 ~~(ii) City, town, and fire districts shall be reimbursed by the state for revenue losses~~
10 ~~attributable to the exemptions provided for in section 44-34.1-1 and the inflation indexing of tax~~
11 ~~rates through fiscal 2003. Reimbursement for revenue losses shall be calculated based upon the~~
12 ~~difference between the maximum taxable value less personal exemptions and the net assessed~~
13 ~~value.~~

14 ~~(iii) Inflation reimbursements shall be the difference between:~~

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

19 ~~(B) The levy calculated by applying the appropriate cumulative inflation adjustment~~
20 ~~through state fiscal 2003 to the tax rate used by each city and town and fire district for fiscal year~~
21 ~~1998; provided, that for the town of Johnston the tax rate used for fiscal year 1999 shall be used~~
22 ~~for the calculation after adjustments for personal exemptions but prior to adjustments for~~
23 ~~exemptions contained in section 44-34.1-1.~~

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

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

28 ~~(ii) On February 20, 1999, and each February 20 thereafter through February 20, 2002,~~
29 ~~twenty five percent (25%) of the amount calculated by the director of administration to be the~~
30 ~~difference for the upcoming fiscal year.~~

31 ~~(iii) On June 20, 1999, and each June 20 thereafter through June 20, 2002, fifty percent~~
32 ~~(50%) of the amount calculated by the director of administration to be the difference for the~~
33 ~~upcoming fiscal year.~~

34 ~~(iv) On August 1, 2002, and each August 1 thereafter, twenty five percent (25%) of the~~

1 ~~amount calculated by the director of administration to be the difference for the current fiscal year.~~

2 ~~(v) On November 1, 2002, and each November 1 thereafter, twenty five percent (25%) of~~

3 ~~the amount calculated by the director of administration to be the difference for the current fiscal~~

4 ~~year.~~

5 ~~(vi) On February 1, 2003, and each February 1 thereafter, twenty five percent (25%) of~~

6 ~~the amount calculated by the director of administration to be the difference for the current fiscal~~

7 ~~year.~~

8 ~~(vii) On May 1, 2003, and each May 1 thereafter, except May 1, 2010, twenty five~~

9 ~~percent (25%) of the amount calculated by the director of administration to be the difference for~~

10 ~~the current fiscal year.~~

11 ~~(viii) On June 15, 2010, twenty five percent (25%) of the amount calculated by the~~

12 ~~director of administration to be the difference for the current fiscal year.~~

13 ~~Provided, however, the February and May payments, and June payment in 2010, shall be~~

14 ~~subject to submission of final certified and reconciled motor vehicle levy information.~~

15 ~~(2) Each city, town, or fire district shall submit final certified and reconciled motor~~

16 ~~vehicle levy information by August 30 of each year. Any adjustment to the estimated amounts~~

17 ~~paid in the previous fiscal year shall be included or deducted from the payment due November 1.~~

18 ~~(3) On any of the payment dates specified in paragraphs (1)(i) through (vii) of this~~

19 ~~subsection, the director is authorized to deduct previously made over payments or add~~

20 ~~supplemental payments as may be required to bring the reimbursements into full compliance with~~

21 ~~the requirements of this chapter.~~

22 ~~(4) For the city of East Providence, the payment schedule is twenty five percent (25%) on~~

23 ~~February 20, 1999, and each February 20 thereafter through February 20, 2002, twenty five~~

24 ~~percent (25%) on June 20, 1999, and each June 20 thereafter through June 20, 2002, which~~

25 ~~includes final reconciliation of the previous year's payment, and fifty percent (50%) on October~~

26 ~~20, 1999, and each October 20 thereafter through October 20, 2002. For local fiscal years 2003~~

27 ~~and thereafter, the payment schedule is twenty five percent (25%) on each November 1, twenty~~

28 ~~five percent (25%) on each February 1, twenty five percent (25%) on each May 1, which includes~~

29 ~~final reconciliation of the previous year's payment, and twenty five percent (25%) on each~~

30 ~~August 1; provided, the May and August payments shall be subject to submission of final~~

31 ~~certified and reconciled motor vehicle levy information.~~

32 ~~(5) When the tax is phased out, funds distributed to the cities, towns, and fire districts for~~

33 ~~the following fiscal year shall be calculated as the funds distributed in the fiscal year of the phase~~

34 ~~out. Twenty five percent (25%) of the amounts calculated shall be distributed to the cities and~~

1 ~~towns and fire districts on August 1, in the fiscal year of the phase out, twenty five percent (25%)~~
2 ~~on the following November 1, twenty five percent (25%) on the following February 1, and~~
3 ~~twenty five percent (25%) on the following May 1. The funds shall be distributed to each city and~~
4 ~~town and fire district in the same proportion as distributed in the fiscal year of the phase out.~~

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

20 ~~(7) When the tax is phased out, twenty five percent (25%) of the funds shall be~~
21 ~~distributed to the cities, towns, and fire districts on August 1, of the following fiscal year and~~
22 ~~every August 1 thereafter; twenty five percent (25%) shall be distributed on the following~~
23 ~~November 1, and every November 1 thereafter; twenty five percent (25%) shall be distributed on~~
24 ~~the following February 1, and every February 1 thereafter; and twenty five percent (25%) shall be~~
25 ~~distributed on the following May 1, and every May 1 thereafter.~~

26 ~~(8) For the city of East Providence, in the event the tax is phased out, twenty five percent~~
27 ~~(25%) shall be distributed on November 1, of the following fiscal year and every November 1~~
28 ~~thereafter, twenty five percent (25%) shall be distributed on the following February 1, and every~~
29 ~~February 1 thereafter; twenty five percent (25%) shall be distributed on the following May 1, and~~
30 ~~every May 1 thereafter; and twenty five percent (25%) of the funds shall be distributed on the~~
31 ~~following August 1, and every August 1 thereafter.~~

32 ~~(9) As provided for in section 44-34-6, the authority of fire districts to tax motor vehicles~~
33 ~~is eliminated effective with the year 2000 tax roll and the state reimbursement for fire districts~~
34 ~~shall be based on the provisions of section 44-34-6. All references to fire districts in this chapter~~

1 ~~do not apply to the year 2001 tax roll and thereafter.~~

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

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

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

11 (a) In fiscal year 2013 and thereafter, cities and towns shall receive reimbursements, as
12 set forth in this section, from the state's general revenues.

13 (b) The director of administration shall determine the amount of general revenues to be
14 distributed to each city and town. The amount reimbursed and distributed shall be calculated as
15 follows:

16 (1) The total value of the motor vehicles located in the state shall be established pursuant
17 to § 44-34-9;

18 (2) The total value of the motor vehicles located in each city or town shall be established
19 pursuant to § 44-34-9;

20 (3) Each city or town shall be reimbursed based on the percentage of total value in each
21 city or town of the amount of the total value in the state, ratably reduced to the annual
22 appropriation for reimbursement.

23 SECTION 2. 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 EXCISE TAX

1 This act would provide reimbursement to the cities and towns for the motor vehicle
2 excise tax based on the percentage of respective values in each city and town, rather than the tax
3 rates.

4 This act would take effect upon passage.

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