



**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS**

**Department of Administration**  
**BUDGET OFFICE/MUNICIPAL AFFAIRS**  
One Capitol Hill  
Providence, RI 02908-5873

OFFICE (401) 222-2867  
FAX (401) 222-3809

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To: Finance Directors, Treasurers, Assessors, City and Town Solicitors  
Rhode Island Municipalities

From: Peder Schaefer  
Chief Budget Analyst  
Budget Office/Municipal Affairs

Subject: Property Tax Levy Cap – Communication 5

As we progress through the first year of the amended budget and property tax cap (44-5-2), I wanted to focus on one concern that we have as you proceed toward certification of your tax roll. The caution we have for you applies especially to those municipalities with a proposed tax levy increase at or near the 5.25% cap.

We have been approving your disclosure and compliance with the tax levy cap (plus qualifying overrides) based upon estimated assessed valuations and the resulting tax levy generated from those estimated values and your proposed tax rate.

It is typical and reasonable that assessors are conservative in estimating December 31, 2006 assessed values. Usually, estimates of tangible property and motor vehicles have not been finalized at the time the budget and tax resolution or ordinance is approved.

It is our position that the final certified tax levy by the assessor for FY 2008 (ie. tax year 2007) can not exceed the 5.25% cap (plus the dollar value of qualifying overrides). Thus, if the assessor identifies more value (for example, in motor vehicles and tangibles) at the time of final certification than had been originally estimated, the assessor has to be careful not to certify a levy that exceeds the 5.25% tax levy cap. This may necessitate a reduction in the tax rate from what the budget and tax resolution may have contemplated during budget hearings and at the time the budget and tax resolution was passed by the Council or Financial Town Meeting.

When the cap applied to the tax rate, this was not an issue because the approval process focused on an indexed rate. However, with the cap applied to levy, it is a concern. Although it is likely that the unintended potential excess over the levy cap would not be material, we believe you should take care to assure yourselves that you are compliant with the state restrictions on maximum tax levy. This should avoid any challenge to the legitimacy of your tax levy. Thus, it is our suggestion that solicitors review the language in their tax resolution to assure that the assessor has the flexibility to adjust the rate so that the final tax levy does not exceed the state approved maximum levy.