

2010 -- H 7411

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2010

A N A C T

RELATING TO TAXATION - MOTOR VEHICLE EXCISE TAX

Introduced By: Representatives MacBeth, Menard, and Vaudreuil

Date Introduced: February 09, 2010

Referred To: House 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.** -- (a) In fiscal years 2000
4 and thereafter, cities and towns and fire districts shall receive reimbursements, as set forth in this
5 section, from state general revenues equal to the amount of lost tax revenue due to the phase out
6 or reduction of the excise tax. Cities and towns and fire districts shall receive advance
7 reimbursements through state fiscal year 2002. In the event the tax is phased out, cities and towns
8 and fire districts shall receive a permanent distribution of sales tax revenue pursuant to section
9 44-18-18 in an amount equal to any lost revenue resulting from the excise tax elimination. Lost
10 revenues must be determined using a base tax rate fixed at fiscal year 1998 levels for each city,
11 town, and fire district, except that the Town of Johnston's base tax rate must be fixed at a fiscal
12 year 1999 level.

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

17 (2) The director of administration shall index the tax rates for inflation by applying the
18 annual change in the December Consumer Price Index -- All Urban Consumers (CPI-U),
19 published by the Bureau of Labor Statistics of the United States Department of Labor, to the

1 indexed tax rate used for the prior fiscal year calculation; provided, that for state reimbursements
2 in fiscal years 2004 and thereafter, the indexed tax rate shall not be subject to further CPI-U
3 adjustments. The director shall apply the following principles in determining reimbursements:

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

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

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

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

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

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

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

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

29 (iii) On June 20, 1999, and each June 20 thereafter through June 20, 2002, fifty percent
30 (50%) of the amount calculated by the director of administration to be the difference for the
31 upcoming fiscal year.

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

34 (v) On November 1, 2002, and each November 1 thereafter, twenty-five percent (25%)

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

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

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

8 Provided, however, the February and May payments shall be subject to submission of
9 final certified and reconciled motor vehicle levy information.

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

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

17 (4) For the city of East Providence, the payment schedule is twenty-five percent (25%)
18 on February 20, 1999, and each February 20 thereafter through February 20, 2002, twenty-five
19 percent (25%) on June 20, 1999, and each June 20 thereafter through June 20, 2002, which
20 includes final reconciliation of the previous year's payment, and fifty percent (50%) on October
21 20, 1999, and each October 20 thereafter through October 20, 2002. For local fiscal years 2003
22 and thereafter, the payment schedule is twenty-five percent (25%) on each November 1, twenty-
23 five percent (25%) on each February 1, twenty-five percent (25%) on each May 1, which includes
24 final reconciliation of the previous year's payment, and twenty-five percent (25%) on each
25 August 1; provided, the May and August payments shall be subject to submission of final
26 certified and reconciled motor vehicle levy information.

27 (5) When the tax is phased out, funds distributed to the cities, towns, and fire districts for
28 the following fiscal year shall be calculated as the funds distributed in the fiscal year of the phase-
29 out. Twenty-five percent (25%) of the amounts calculated shall be distributed to the cities and
30 towns and fire districts on August 1, in the fiscal year of the phase-out, twenty-five percent (25%)
31 on the following November 1, twenty-five percent (25%) on the following February 1, and
32 twenty-five percent (25%) on the following May 1. The funds shall be distributed to each city and
33 town and fire district in the same proportion as distributed in the fiscal year of the phase-out.

34 (6) When the tax is phased out to August 1, of the following fiscal year the director of

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

15 (7) When the tax is phased out, twenty-five percent (25%) of the funds shall be
16 distributed to the cities, towns, and fire districts on August 1, of the following fiscal year and
17 every August 1 thereafter; twenty-five percent (25%) shall be distributed on the following
18 November 1, and every November 1 thereafter; twenty-five percent (25%) shall be distributed on
19 the following February 1, and every February 1 thereafter; and twenty-five percent (25%) shall be
20 distributed on the following May 1, and every May 1 thereafter.

21 (8) For the city of East Providence, in the event the tax is phased out, twenty-five percent
22 (25%) shall be distributed on November 1, of the following fiscal year and every November 1
23 thereafter, twenty-five percent (25%) shall be distributed on the following February 1, and every
24 February 1 thereafter; twenty-five percent (25%) shall be distributed on the following May 1, and
25 every May 1 thereafter; and twenty-five percent (25%) of the funds shall be distributed on the
26 following August 1, and every August 1 thereafter.

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

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

1 (d) Notwithstanding the provisions of the foregoing subsections, or any other provisions
2 of chapter 34 of this title to the contrary, cities and towns shall receive reimbursements from state
3 general revenues for the lost tax revenue in fiscal year 2010 due to the phase out or reduction of
4 the excise tax.

5 (e) The reimbursement shall be based on a tax rate of twenty-six dollars (\$26.00) per one
6 thousand dollars (\$1,000) of valuation assessed on personal property by each city and town
7 multiplied by the average retail value of each vehicle less the appropriate exemption amount
8 established for fiscal year 2009.

9 (f) Funds shall be distributed to the cities and towns as follows:

10 (1) On August 1, 2010, twenty-five percent (25%) of the amount calculated by the
11 director of administration.

12 (2) On November 1, 2010, twenty-five percent (25%) of the amount calculated by the
13 director of administration.

14 (3) On February 1, 2011, twenty-five percent (25%) of the amount calculated by the
15 director of administration.

16 (4) On May 1, 2011, twenty-five percent (25%) of the amount calculated by the director
17 of administration.

18 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 require that each city and town be reimbursed from state general revenues
2 for the lost tax revenue in fiscal year 2010 due to the phase out or reduction of the excise tax. The
3 reimbursement rate shall be at \$26.00 per \$1,000. dollars of valuation.

4 This act would take effect upon passage.

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