

2011 -- S 0563

LC01812

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2011

A N A C T

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

Introduced By: Senator Dennis L. Algieri

Date Introduced: March 10, 2011

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Chapter 44-34.1 of the General Laws entitled "Motor Vehicle and Trailer
2 Excise Tax Elimination Act of 1998" is hereby repealed in its entirety.

3 ~~CHAPTER 44-34.1~~

4 ~~Motor Vehicle and Trailer Excise Tax Elimination Act of 1998~~

5 ~~**44-34.1-1. Excise tax phase-out.** (a) (1) Notwithstanding the provisions of chapter 34~~
6 ~~of this title or any other provisions to the contrary, the motor vehicle and trailer excise tax~~
7 ~~established by section 44-34-1 may be phased out. The phase-out shall apply to all motor vehicles~~
8 ~~and trailers, including leased vehicles. (2) Lessors of vehicles that pay excise taxes directly to~~
9 ~~municipalities shall provide lessees, at the time of entering into the lease agreement, an estimate~~
10 ~~of annual excise taxes payable throughout the term of the lease. In the event the actual excise tax~~
11 ~~is less than the estimated excise tax, the lessor shall annually rebate to the lessee the difference~~
12 ~~between the actual excise tax and the estimated excise tax.~~

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

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

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

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

21 ~~for fiscal year 2011 and thereafter, the exemption shall be five hundred dollars (\$500).~~
22 ~~Cities and towns may provide an additional exemption of five thousand five hundred dollars~~
23 ~~(\$5,500) or more; provided, however, any such additional exemption shall not be subject to~~
24 ~~reimbursement.~~

25 ~~(2) The excise tax phase out shall provide levels of assessed value reductions until the tax~~
26 ~~is eliminated or reduced as provided 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 section 44-34-~~
4 ~~11 reduced by the percentage of assessed value applicable to model year values as determined by~~
5 ~~the Rhode Island vehicle value commission as of December 31, 1997, for the vehicles valued by~~
6 ~~the commission as of December 31, 1997. For all vehicle value types not valued by the Rhode~~
7 ~~Island vehicle value commission as of December 31, 1997, the maximum taxable value shall be~~
8 ~~the latest value determined by a local assessor from an appropriate pricing guide, multiplied by~~
9 ~~the 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 section 44-34-11 less all personal exemptions allowed by cities, towns, fire districts, and the~~
13 ~~state of Rhode Island exemption value as provided for in section 44-34.1-1(e)(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 ~~**44-34.1-2. City and town and fire district reimbursement.** --- (a) In fiscal years 2000~~
18 ~~and thereafter, cities and towns and fire districts shall receive reimbursements, as set forth in this~~
19 ~~section, from state general revenues equal to the amount of lost tax revenue due to the phase out~~
20 ~~or reduction of the excise tax. Cities and towns and fire districts shall receive advance~~
21 ~~reimbursements through state fiscal year 2002. In the event the tax is phased out, cities and towns~~
22 ~~and fire districts shall receive a permanent distribution of sales tax revenue pursuant to section~~
23 ~~44-18-18 in an amount equal to any lost revenue resulting from the excise tax elimination. Lost~~
24 ~~revenues must be determined using a base tax rate fixed at fiscal year 1998 levels for each city,~~
25 ~~town, and fire district, except that the Town of Johnston's base tax rate must be fixed at a fiscal~~
26 ~~year 1999 level. Provided, however, for fiscal year 2011 and thereafter, the base tax rate may be~~
27 ~~less than but not more than the rates described in this subsection (a).~~

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

32 ~~(2) The director of administration shall index the tax rates for inflation by applying the~~
33 ~~annual change in the December Consumer Price Index — All Urban Consumers (CPI-U),~~
34 ~~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 CPIU~~
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, except May 1, 2010, twenty five~~
7 ~~percent (25%) of the amount calculated by the director of administration to be the difference for~~
8 ~~the current fiscal year.~~

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

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

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

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

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

30 ~~-(5) When the tax is phased out, funds distributed to the cities, towns, and fire districts for~~
31 ~~the following fiscal year shall be calculated as the funds distributed in the fiscal year of the phase-~~
32 ~~out. Twenty five percent (25%) of the amounts calculated shall be distributed to the cities and~~
33 ~~towns and fire districts on August 1, in the fiscal year of the phase out, twenty five percent (25%)~~
34 ~~on the following November 1, twenty five percent (25%) on the following February 1, and~~

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

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

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

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

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

34 ~~-(10) For reimbursements payable in the year ending June 30, 2008 and thereafter, the~~

1 ~~director of administration shall discount the calculated value of the exemption to ninety eight~~
2 ~~percent (98%) in order to establish a collection rate that is comparable to the collection rate~~
3 ~~achieved by municipalities in the levy of the motor vehicle excise tax.~~

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

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

9 ~~**44-34.1-3. Permanent oversight commission.** -- (a) There is created a permanent~~
10 ~~oversight commission on inventory taxes and automobile excise taxes. The commission shall~~
11 ~~consist of the following members:~~

12 ~~-(1) Chairperson of house finance committee, or designee;~~

13 ~~-(2) Chairperson of senate finance committee, or designee;~~

14 ~~-(3) Chairperson of the Rhode Island vehicle value commission;~~

15 ~~-(4) Three (3) members of the Rhode Island Assessors Association;~~

16 ~~-(5) Director of department of revenue, or designee;~~

17 ~~-(6) Chief of the division of property valuation and municipal finance, or designee;~~

18 ~~-(7) The president of the Rhode Island League of Cities and Towns, or designee;~~

19 ~~-(8) The administrator of the Rhode Island division of motor vehicles, or designee;~~

20 ~~-(9) The mayor of the city of Providence, or designee.~~

21 ~~-(b) The purpose of the commission shall be to study and evaluate the phase out of the~~
22 ~~automobile excise tax and to establish procedures when necessary to facilitate the phase out of~~
23 ~~the tax by July 1, 2005.~~

24 ~~-(c) The commission, at its first meeting, shall elect a chairperson from its membership.~~

25 ~~-(d) The commission shall meet no less than two (2) times per year at the call of the~~
26 ~~chairperson or upon the request of at least three (3) of its members.~~

27 ~~-(e) The members shall receive no compensation for their services. All departments and~~
28 ~~agencies of the state shall furnish advice and information, documentary or otherwise, to the~~
29 ~~commission and its agents as is deemed necessary or desirable by the commission to facilitate the~~
30 ~~purposes of the commission.~~

31 ~~**44-34.1-4. Severability.** -- If any provision of this chapter or application of this chapter~~
32 ~~to any person or circumstances is held invalid, that invalidity shall not affect other provisions or~~
33 ~~applications of the chapter, which can be given effect without the invalid provision or application,~~
34 ~~and to this end the provisions of this chapter are declared to be severable.~~

1 SECTION 2. This act shall take effect upon passage.

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LC01812
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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 repeal the motor vehicle and trailer excise tax elimination act of 1998.
- 2 This act would take effect upon passage.

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