

Rhode Island is one of a few states where the use of local option taxes appears to be declining. Local *ad valorem* motor vehicles taxes have been a significant source of local transportation revenue in Rhode Island, but this will soon change as these taxes are phased out. It is unclear how local governments will replace the revenue. There does not appear to be another local option tax on the horizon to replace it, so the money will most likely come from other forms of finance. In November, 2000, voters took a major step in that direction by approving a statewide bond measure for highways, bridges, and public transit.

## 1. Fuel and Vehicle Taxes

Cities and towns establish rates for motor vehicle excise taxes, which are annual *ad valorem* taxes.<sup>1</sup> Traditionally, Rhode Island's rates for these taxes have been among the highest in the nation, and these taxes have been a significant revenue source for local government. Current annual tax rates range from just under 1% in New Shoreham to over 7.6% in Providence.<sup>2</sup> These taxes are considered a general revenue source, and need not be used for transportation finance. However, some local governments voluntarily earmark a portion of their revenues, generating nearly \$12 per capita for road purposes statewide.

Recently, however, Rhode Island has experienced the same backlash against motor vehicle property taxes that has also been seen in Virginia, California, Washington, and other states: a law passed in 1998 will phase out these taxes on motor vehicles by Fiscal Year 2006.<sup>3</sup>

## 2. Property Taxes and Assessments

Rhode Island's method of dedicating property tax revenues for transportation projects is a cross between a local option tax and an annual appropriation. At an annual town meeting, voters may decide whether to earmark a portion of the township's annual property tax revenues for highway and bridge maintenance. This appropriation process can include increases in the tax rate.<sup>4</sup> Cities and towns may also impose special assessments for sidewalk repairs and improvements.<sup>5</sup>

## 3. Sales and Other Taxes

None.

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<sup>1</sup> Rhode Island General Laws 44-34-1.

<sup>2</sup> Rhode Island Public Expenditure Council, "1998 Property Tax Rates by Community" (1999).

<sup>3</sup> Rhode Island Public Expenditure Council, "Property Taxes 2000 – Next Steps" (2000).

<sup>4</sup> Rhode Island General Laws 24-5-3.

<sup>5</sup> Rhode Island General Laws 24-7-4.

## RHODE ISLAND Overview of County, District, and Local Transportation Tax Laws

| Tax Type | State Statute | Tax Name                 | Areas                       | Statute Year | Permitted Rates     | Maximum Duration | Purposes                       | Adoption Process |
|----------|---------------|--------------------------|-----------------------------|--------------|---------------------|------------------|--------------------------------|------------------|
| Vehicle  | RIGL 44-34-1* | Motor Vehicle Excise Tax | Cities and Towns            | 1978         | Any                 | -                | General Revenues               | B                |
| Property | RIGL 44-5-1   | Property Tax             | Cities and Towns            |              | Any                 | -                | General Revenues               | C**              |
|          | RIGL 24-7-4   | Property Tax             | Towns, Assessment Districts |              | Special Assessments | -                | Sidewalks                      | B                |
|          | RIGL 24-5-3   | Property Tax             | Towns                       |              | Any                 | -                | Highway and bridge maintenance | C**              |

\*Authority for this tax is repealed effective July 1, 2005.

\*\*Voters approval is needed at annual town meeting to earmark revenues for highways, or to increase taxes by more than 5.5%.

A = State Law  
B = County/Local Law  
C = Popular Vote