

Middletown Tax Exploratory Committee

Minutes:

- Tax Committee met at the Middletown Fire Station**
- May 17, 2016**
- Meeting started at 6:30 p.m.**
- Attendees:**
 - o Antone Viveiros - President**
 - o Dennis Turano ¡V Vice President**
 - o Larry Connell - Secretary**
 - o Randy Rochelle ¡V Middletown Resident**
 - o Tom Heaney - Member**

Purpose: Examine the way the Town of Middletown assesses and levies property taxes.

Objective: Compare and contrast alternative methods for levying residential property taxes. Present findings and recommendations to the Middletown Town Counsel.

Motions: Committee selected Mr. Antone Viveiros for the position of President, Middletown Tax Exploratory Committee. Committee selected Mr. Dennis Turano for the position of Vice President, Middletown Tax Exploratory Committee. Committee selected Mr. Larry Connell for the position of Secretary, Middletown Tax Exploratory Committee. All motions passed unanimously.

Topics considered for discussion:

-RI State Code / Policy concerning the taxation of residential property (RI Constitution, Article 13, Section 4). The committee discussed the need to research and understand the RI State's constitution guidance given by the state to towns and municipalities WRT regulating the residential property taxes. We will research and discuss the guidance and how it may inform any recommendations we make for adjustments to the current residential property tax methodology.

-Current Middletown residential property tax system. The committee discussed the current property tax system employed by the Town of Middletown. It is the committee's contention that the current property tax system is not fair, not predictable, and not transparent. Our assessment of "fairness" (or the lack of) stems from the residential property tax increasing for the tax payers already paying the most taxes (100 of the top residential property tax payers) are covering 67% of the property tax increase. The changes in property taxes are not predictable as the revenue required from property taxes increases annually to cover an ever increasing budget. Finally, the current system is not transparent as we have no idea how the town determines our residential property taxes. There is a standard formula for determining property taxes (Market Value X Assessment Ratio (0 to 100%; percent differs by state) = Assessed Value - Exemptions = Taxable Value X Sum of all Relevant Millage (Tax) Rates = Property Tax Before Credits - Homestead Credits and Circuit Breakers = Property Tax Owed). Without knowing how the town

determines the Assessment Ratio, Exemptions, Homestead Credits and Circuit Breakers and how they are applied we cannot determine how property taxes are determined and in what manner they are applied.

-Other state's approaches to residential property taxes. Thus far we briefly discussed three other state's approaches on determining residential property taxes.

o Hawaii. The lowest property tax in the country at 0.28%

o California. California Prop 13 / Value of the house 1% / 2% on future years

o Delaware.

„X 3 counties / years property value was assessed : Sussex (1974), Kent (1987), and New Castle (1983); assessment value is based off 60% (Assessment Ratio) of the assessment years market value (residential taxes are the 4th lowest in the country (effective real-estate tax rate: 0.53%; median home value \$232,900; annual taxes on home @ median value \$1,231.00)

„X The 3 counties provide some exemptions and credits to defray taxes for fixed / lower income groups; i.e., senior citizens, married couples (capped), singles (capped), etc.

- Residential vs. Commercial. Currently, we only have information on residential property taxes; therefore, we're limiting our assessment to residential property taxes.

- Examine the current residential property tax methodology employed

by the Town of Middletown. We discussed different approaches to determine alternative residential property tax formulas. Within the current methodology for determining property taxes owed (Market Value X Assessment Ratio (0 to 100%; percent differs by state) = Assessed Value \div Exemptions = Taxable Value X Sum of all Relevant Millage (Tax) Rates = Property Tax Before Credits \div Homestead Credits and Circuit Breakers = Property Tax Owed). There are a number of variables (Assessment Ratio, Exemptions, and Sum of all Relevant Millage (Tax) Rates, Homestead Credits and Circuit Breakers). We will continue to research how different states assess each of the variables to arrive at our conclusions and recommendations.

Meeting adjourned at 8:15 p.m.

Larry Connell - Secretary