STATE OF RHODE ISLAND

Governor Gina M. Raimondo

Standardization and Feasibility Report: Motor Vehicle Excise Tax

R.I. Gen. Laws § 44-34.1-2(6)

Office of Revenue Analysis
Division of Municipal Finance

January 1, 2021

Contents

Foreword

This report is submitted to the General Assembly to fulfill the requirement in Rhode Island General Laws Section 44-34.1-2(6) titled "City, town and fire district reimbursement" which states:

> "For fiscal year 2020 and thereafter, the department of revenue shall assess the feasibility of standardizing the motor vehicle and trailer excise tax calculation methodology across all cities, towns, and fire departments. Based on this assessment, the department of revenue may make recommendations for changes to the motor vehicle and trailer excise tax calculation methodology.
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> Beginning on January 1, 2021, the director of the department of revenue shall file an annual report for the consideration of the general assembly with the president of the senate, speaker of the house, chairperson of the senate committee on finance and chairperson of the house committee on finance, containing recommendations and findings as to the feasibility of the motor vehicle excise tax phase-out in each year until the phase-out is complete."

This report was prepared by the Department of Revenue, Office of Revenue Analysis and the Division of Municipal Finance at the request of the former Director of Revenue Mark A. Furcolo and the current Director of Revenue James E. Thorsen. Bethany Scanlon, Principal Economic and Policy Analyst in the Office of Revenue Analysis, was responsible for the production of the report, including all calculations contained in the report, under the supervision of Paul L. Dion, Ph.D., Chief of the Office of Revenue Analysis. Bethany was supported in her work by Jill Barrette, State Aid and Finance Specialist, and Christopher Celeste, Supervisor of Financial Management and Reporting, of the Division of Municipal Finance as supervised by Steve Coleman, Chief of the Division of Municipal Finance. Madiha Zaffou, Principal Economic and Policy Analyst in the Office of Revenue Analysis provided the forecasts upon which projected state general revenues were derived. These forecasts incorporated directly the revised FY 2021 revenue estimates and the adopted FY 2022 revenue estimates that were produced at the November 2020 Revenue Estimating Conference.

The Rhode Island Department of Revenue, Division of Motor Vehicles (DMV) was instrumental in providing the Office of Revenue Analysis with the necessary data on Manufacturer's Suggested Retail Prices for the motor vehicle files that had been submitted by Rhode Island cities and towns and Town of Lincoln fire districts as part of the process of determining the amount of motor vehicle and trailer excise tax phaseout reimbursement each municipality or fire district is to receive each fiscal year. Recognition for their efforts is extended to Bradford Booth, DMV Legal Counsel, Nicole Barnett, Assistant Director for Special Projects of the Division of Information Technology, and Clare Sedlock, Chief of Strategic Planning, Monitoring and Evaluation for the Division of Motor Vehicles.

Executive Summary

This report is an evaluation of the feasibility of standardizing the motor vehicle and trailer excise tax calculation methodology across the cities and towns in Rhode Island. The evaluation was conducted by the Department of Revenue (DOR) in accordance with Rhode Island General Laws (R.I. Gen. Laws) Section 44-34.1-2(6). The report evaluates the current law as it applies to the calculation of motor vehicle and trailer excise taxation in the state and other methods of the excise taxation of motor vehicles and trailers in order to make comparisons. DOR relied primarily on data provided by the Division of Motor Vehicles to conduct that analysis. In addition, this report considers the financial impact of the motor vehicle excise tax phaseout in relation to the Office of Revenue Analysis' projections of state general revenues for the FY 2023 through FY 2026 period. The following is a summary of this evaluation:

The Report's Key Findings:

- DOR concludes that standardizing the motor vehicle and trailer excise tax calculation methodology statewide can be done successfully, however, moving to such a model is not without complications.

  o The adoption of a standardized, statewide method of taxing motor vehicles and trailers is feasible in the sense that such a methodology could be executed.

  o The actual implementation of a standardized statewide motor vehicle and trailer excise tax calculation methodology could be challenging until the residents of each city and town and the cities and towns themselves are in comparable motor vehicle and trailer excise tax situations.

  o There is a nearly infinite number of motor vehicle excise tax calculation methodology standardization scenarios that could be implemented. This report focuses heavily on the motor vehicle excise tax calculation methodologies employed by Maine and Massachusetts and an alternative scenario that uses Rhode Island based motor vehicle and trailer excise tax calculation methodology parameters. The results of this report should not be construed as the only viable motor vehicle and trailer excise tax calculation methodologies.

- Rhode Island's system of taxing motor vehicles and trailers results in the outcome that identical motor vehicles (or trailers), in terms of make, model, year and condition, can generate sharply different tax bills depending on where the motor vehicle (or trailer) in question is garaged. The difference in tax bills can be due to cities and towns (i) applying different tax rates to the vehicles' assessed values, (2) using different assessed values as a result of an aging schedule and/or a discount applied to the assessed value and/or (3) maintaining different motor vehicle exemption amounts. These disparities yield tax burdens that are vary across motor vehicles that are otherwise identical and thus violate the good tax policy principal of horizontal equity.

- As part of the FY 2018 Rhode Island State budget, the General Assembly passed House Bill 2019-H-5175 Article 11 as Amended which revised the motor vehicle and trailer excise tax calculation methodology used by cities and towns by incrementally decreasing

statewide maximum tax rates that could be applied to the taxation of motor vehicles and trailers while simultaneously increasing the minimum exemption value each city and town had to apply to a motor vehicle and/or trailer and lowering the valuation of motor vehicles and trailers that would be subject to tax. In addition, the legislation exempted motor vehicles and trailers over 15 years of age from tax. These changes were phased in over the course of six years.

- While Connecticut has a method of motor vehicle and trailer excise taxation that bears resemblance to Rhode Island's existing motor vehicle and trailer excise tax system, it was determined that Maine and Massachusetts employ a standard statewide motor vehicle and trailer excise tax calculation methodology. In addition, DOR considered a Lowest Common Denominator (LCD) standardization methodology that used current parameters already deployed in Rhode Island.

- Within the State of Rhode Island, motor vehicle and trailer excise tax calculation methodologies vary widely depending on where a given motor vehicle or trailer is garaged. As a result, it is not uncommon for two (or more) motor vehicles that are the same make, model and year to bear different tax amounts simply because they are garaged in different municipalities.

- Due to the differing motor vehicle and trailer excise tax calculation methodologies that exist between cities and towns, a total of 20 municipalities were already at or below the level of taxation that would be imposed under the standard method of taxation utilized in Maine for local fiscal year 2019.

    o For these municipalities, there would be no revenue forgone from switching to the Maine method of motor vehicle and trailer excise taxation, however, in general, motor vehicle and trailer excise taxpayers in these cities and towns would pay more in taxes under the Maine method than under current Rhode Island law. (See Table 3 for the breakdown by municipality.)

- When Massachusetts' statewide standardized motor vehicle and trailer excise tax calculation methodology is used, a total of 17 municipalities were already at or below the level of taxation that would be imposed under the standard method of taxation employed in Massachusetts based on local fiscal year 2019 motor vehicle and trailer excise tax rolls.

    o For these municipalities, there would be no revenue forgone from switching to the Massachusetts' method of motor vehicle and trailer excise taxation, however, in general, motor vehicle and trailer excise taxpayers in these cities and towns would pay more in taxes under the Massachusetts method than under current Rhode Island law. (See Table 4 for the breakdown by municipality.)

- Following the Rhode Island phase out schedule in current law, all municipalities would be below or at the same level of motor vehicle and trailer excise taxation if the Maine standardized motor vehicle and trailer excise tax calculation methodology was employed in Rhode Island by local fiscal year 2022. (See Table 7 for the breakdown by municipality.)

- Similarly, following the Rhode Island phase out schedule in current law, all municipalities would be below or at the same level of motor vehicle and trailer excise taxation if the Massachusetts standardized motor vehicle and trailer excise tax calculation methodology

was employed in Rhode Island by local fiscal year 2023. (See Table 8 for the breakdown by municipality.)

- For the LCD standardization scenario, DOR found that in FY 2019 under the current motor vehicle and trailer excise tax phaseout, cities and towns in the state received $122.3 million more in motor vehicle and trailer excise tax revenue than they would under the LCD motor vehicle and trailer excise tax calculation methodology. For FY 2020, the results were $86.2 million more in motor vehicle and trailer excise tax revenue received under current law vs. under the LCD scenario.

- From a financial perspective, DOR finds that, in no fiscal year, does the change in state motor vehicle excise tax phaseout reimbursement aid exceed the change in total general revenues forecasted by the Office of Revenue Analysis. (See Table 12. for the calculations of the state financial impact.)

    o The total motor vehicle excise tax phaseout reimbursement aid over the FY 2022 – FY 2026 period is projected to range from 3.09% to 5.13% of total general revenues.

    o With respect to the growth in motor vehicle excise tax phaseout reimbursement aid, this represents a premium over anticipated growth in total general revenues of between 0.10% and 1.30% depending on the fiscal year.

    o Although these percentages equate to millions of dollars, policy decisions regarding the revenue impact of the motor vehicle excise tax phaseout remain at the margin of the overall revenue structure of the State.

- It is important to note that while R.I. Gen. Laws § 44-34.1-2(6) requires DOR to render "recommendations and findings as to the feasibility of the motor vehicle excise tax phase-out in each year until the phase-out is complete," this report considers these requirements only as they pertain to the State's general revenues without considering state expenditures from general revenues, of which motor vehicle excise tax phaseout reimbursement aid is only one item. Recommendations and findings as to the prioritization of one general revenue expenditure item over another are best determined by policymakers in the broader context of the state's budget.

    o Consideration of the projected budget deficits for the FY 2022 – FY 2026 period should be incorporated into any policy decision regarding the financial feasibility of continuing the motor vehicle and trailer excise tax phaseout. That is, revenue sufficiency alone is not the optimal way to make such a determination.

Rhode Island's Motor Vehicle and Trailer Excise Tax Calculation Methodology under Current Law:

Below is a summary of the Rhode Island General Laws (R.I. Gen. Laws) pertaining to the Motor Vehicle and Trailer Excise Tax Calculation Methodology and Reimbursement per House Bill 2019-H-5175 Article 11 as Amended which was enacted as part of the state's FY 2018 budget on August 3, 2017.

- Any vehicle which is *more than* fifteen years old in a given valuation year shall be deemed to possess an average retail value of five hundred dollars ($500) per R.I. Gen. Laws § 44-34-2(a). For FY 2019, this equated to model year 2003 and older motor vehicles and trailers per the Rhode Island Vehicle Value Commission's (VVC) annual methodology for determining the presumptive value of motor vehicles subject to excise tax.

- Per R.I. Gen. Laws §§ 44-34-11, 44-34.1-1(c)(1)(i) and 44-34.1-1(c)(5), starting in local FY 2018, the following chart applies to the taxation of motor vehicles and trailers by all cities, towns, and the Town of Lincoln's fire districts:

Local Fiscal Year	Percentage of NADA Value Allowed†	Minimum Total Motor Vehicle Exemption Amount*	Maximum MV Tax Rate**
2018	95%	$1,000	$60.00
2019	90%	$2,000	$50.00
2020	85%	$3,000	$35.00
2021	80%	$4,000	$35.00
2022	75%	$5,000	$30.00
2023	70%	$6,000	$20.00

† National Automobile Dealers Association (NADA) clean retail value which means a vehicle with no mechanical defects and passes all necessary inspections with ease. Paint, body and wheels have minor surface scratching with a high gloss finish and shine. Interior reflects minimal soiling and wear with all equipment in complete working order.

* Please note, the minimum total motor vehicle exemption amount shall be the greater of either the minimum annual exemption amount mandated by R.I. Gen. Laws § 44-34.1(c)(1)(ii-vii)(shown above) or the total motor vehicle exemption amount a city, town, or fire district offered in local FY 2017. The total motor vehicle exemption amount for FY 2017 was the $500 statewide mandatory minimum exemption amount plus any additional excess motor vehicle exemption offered by a city, town or fire district, if any.

** The maximum motor vehicle tax rate a city, town or fire district may impose is the lesser of the annual maximum motor vehicle tax rate per R.I. Gen. Laws § 44-34.1-1(viii)(5) (shown above) and the motor vehicle tax rate a city, town, or fire district utilized in FY 2017.

- In no event shall a taxpayer be billed more in motor vehicle and trailer excise tax than was billed in the prior year for a vehicle owned up to the same number of days in both years unless an increased bill is the result of no longer being eligible for a local exemption per R.I. Gen. Laws § 44-34.1-1(c)(6).

- The Maximum Taxable Value used in the calculation of motor vehicle and trailer excise tax bills for local FY 2018 and subsequent years shall be calculated utilizing <u>the greater of</u> the new annual minimum exemption amounts shown in the table above and the total motor vehicle exemption that was offered by a city, town or fire district in FY 2017 per R.I. Gen. Laws § 44-34.1-1(d)(1).[1]

- Any fire districts that taxed motor vehicles in FY 2017 will once again be reimbursed under the state's motor vehicle and trailer excise tax phase-out program starting in FY 2018 per R.I. Gen. Laws § 44-34.1-2(c)(13).

- Each city, town or fire district must employ the same motor vehicle and trailer excise tax calculation methodology that it used in FY 2017 when determining motor vehicle and trailer excise tax bills for its taxpayers. This means that variables such as application of a depreciation schedule (a.k.a. an "aging methodology"), order of tax calculations, etc. must be identical to the methodology used in FY 2017. The possible exceptions to this are the motor vehicle excise tax rate and the total motor vehicle excise tax exemption amount, each of which must comply with the table provided above per R.I. Gen. Laws § 44-34.1-2(b)(3).

- Starting in local FY 2018, cities and towns will receive a base motor vehicle reimbursement amount equal to the total motor vehicle reimbursement a city or town received in FY 2017 per R.I. Gen. Laws § 44-34.1-2(c)(13). Since fire districts did not receive motor vehicle reimbursement in FY 2017, they are not eligible to receive the base motor vehicle reimbursement.

- Per R.I. Gen. Laws§ 44-34.1-2(b)(5), starting in local FY 2018, cities, towns and fire districts will receive an additional motor vehicle and trailer excise tax reimbursement that is equal to the difference between the tax levy calculated using the new methodology described in 2018-H-5175 Article 11 as Amended and the motor vehicle and trailer excise tax levy as calculated using a city, town or fire district's FY 2017 motor vehicle and trailer tax calculation methodology.

Table 13. in Appendix A. contains a summary of the procedures used in three municipalities, Cumberland, Portsmouth, and Woonsocket, to calculate motor vehicle and trailer excise taxes. Woonsocket has a very straightforward motor vehicle excise tax calculation methodology as the city does not employ either an aging methodology[2] for motor vehicles and trailers or a local

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[1] The motor vehicle exemption amounts that were in place in FY 2017 by municipality were as follows: $500 – Charlestown, Coventry, Cranston, Cumberland, East Providence, Exeter, Foster, Glocester, Hopkinton, Johnston, North Providence, Pawtucket, Richmond, Warren, West Greenwich; $675 – North Smithfield; $1,000 – New Shoreham, West Warwick, Woonsocket; $1,250 – Burrillville, Central Falls; $1,500 –Westerly; $2,000 – Barrington, Bristol, Portsmouth, Providence, Smithfield, Warwick; $3,000 –Lincoln, Middletown, North Kingstown, South Kingstown; $6,000 – East Greenwich, Jamestown, Little Compton, Narragansett, Newport, Scituate, Tiverton.

[2] An aging methodology, also referred to as a depreciation schedule, follows a set schedule and takes a percentage, dependent upon the age of the vehicle, of the total assessed value of the vehicle for certain vehicle types and uses this

assessment ratio.[3] Basically, other than the motor vehicle and trailer excise tax rate, Woonsocket applies only the state mandated parameters when taxing a motor vehicle or trailer. Cumberland's motor vehicle excise tax calculation methodology utilizes all state mandated parameters when taxing a motor vehicle or trailer other than the motor vehicle and trailer excise tax rate and the application of an aging methodology.   Portsmouth's motor vehicle excise tax calculation methodology utilizes all state mandated parameters when taxing motor vehicles and trailers other than the motor vehicle and trailer excise tax rate, the application of an aging methodology and the employment of a local assessment ratio.[4]

As is shown in Table 13. in Appendix A., a motor vehicle with the exact same value at the state level generates sharply different municipal tax burdens depending on the municipality in which the vehicle is garaged. For a sample calculation involving a 2010 vehicle of the same make and model with a clean retail value of $12,000 owned for a full year and not eligible for any local exemptions the comparable FY 2019 motor vehicle excise tax amounts for Woonsocket, Cumberland, and Portsmouth would be:

Woonsocket	Cumberland	Portsmouth
$409.90	$163.00	$129.28

In Woonsocket, the higher tax bill is mostly due to the high municipal tax rate of $46.58 per $1,000 of valuation that Woonsocket applies to motor vehicles and trailers. In Cumberland, the tax bill of $163.00 is due in large part to its low motor vehicle excise tax rate of $19.87 per $1,000 of valuation but also Cumberland's depreciation of the state assessed value of the motor vehicle as a result of the vehicle's age. In Portsmouth, the tax bill is lower than in Cumberland even though Portsmouth's motor vehicle and trailer excise tax rate is higher at $22.50 per $1,000 of value and both municipalities utilize the same aging methodology. The lower tax bill in Portsmouth is the result of its application of a local discount of 30% on the tax bill generated by the motor vehicle.[5]

As the example above illustrates, Rhode Island's current practice for motor vehicle and trailer excise taxation violates a core principle of good tax policy, namely horizontal equity. That is, the owners of the same make, model and year of vehicle will pay different amounts of tax on that vehicle only because of where the owner of the vehicle garages it. A standardized motor vehicle and trailer excise tax calculation methodology that is applied statewide would rid the Rhode Island system of taxing motor vehicles and trailers of this inequity.

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new value to calculate taxes owed on the vehicle. It is important to note that municipalities may follow different aging schedules. There are also differences among municipalities of the types of vehicles that are aged. Statewide, 30 municipalities utilize an aging methodology in their motor vehicle excise tax calculation methodology.

[3] The local assessment ratio is simply an additional reduction in the value of a motor vehicle beyond that mandated by the state. The amount of reduction varies across municipalities. The local assessment ratio can be applied at a variety of points in the tax calculation process. Statewide, only three municipalities impose a local assessment ratio in their motor vehicle excise tax calculation methodology.

[4] In the case of Portsmouth, the local assessment ratio is applied as the final factor used to determine the tax owed on a motor vehicle or trailer.

[5] It should be noted that, under current law, the tax bill differences were not as great in local fiscal year 2020 due to a state imposed maximum municipal excise tax rate of $35 per $1,000 of assessed value, which reduced Woonsocket's tax rate from $46.58 per $1,000 of assessed value to the maximum allowed under law.

Motor Vehicle Excise Tax Calculation Methodologies Employed in New England States Other Than Rhode Island:

Connecticut

"Motor Vehicle" is defined by the Conn. Gen. Stat § 14-1 as "any device suitable for the conveyance, drawing or other transportation of persons or property, whether operated on wheels, runners, a cushion of air or by any other means. The term does not include devices propelled or drawn by human power or devices used exclusively on tracks". Registered motorized and non-motorized vehicles including cars, trucks, trailers and motorcycles are considered motor vehicles for tax purposes. Vehicles are taxed at 70.0% of clean retail value[6] (typically National Automobile Dealers Association (NADA) clean retail value where available), based on local tax rates by municipality ranging from $11.37 per thousand of value to $45 per thousand of value. Special taxing districts may also tax motor vehicles. In recent years, the Connecticut assembly has voted to increase the motor vehicle tax rate cap multiple times. Most recently the tax rate cap was increased to $45 per thousand of value up from $39 per thousand of value, beginning in FY 2018.

In the city of Hartford, the tax rate is $45 per $1,000 of assessed value. For a sample tax calculation, consider a 2016 vehicle owned for a full year with a *clean retail value* of $20,000. The motor vehicle excise tax due and payable on such a vehicle would be:

$$\$20,000 \times 70\% \times (\$45.00/\$1,000) = \$630.$$

Maine

The excise tax calculations listed below are applicable to automobiles, buses, trucks, truck tractors, motorcycles, and special mobile equipment. Mobile homes, camper trailers, and aircraft are also subject to an excise tax but at different rates and schedules. The motor vehicle excise tax applies where the owner of the motor vehicle intends to use it on public roads during the year. The motor vehicle excise tax is based on Manufacturer's Suggested Retail Price (MSRP) and the tax rate is set according to the vehicle's model year.

Year 1 = MSRP / $1,000 × $24.00
Year 2 = MSRP / $1,000 × $17.50
Year 3 = MSRP / $1,000 × $13.50
Year 4 = MSRP / $1,000 × $10.00
Year 5 = MSRP / $1,000 × $6.50
Year 6 and thereafter = MSRP / $1,000 x $4.00

The rate for "first or current year of model" applies to current year of model motor vehicles, and motor vehicles registered in their first year of availability. Thus, a 2018 model year motor vehicle registered in 2018 (the current year of model) and a 2019 model year motor vehicle registered in 2018 (the first year of model) would both be subject to the excise tax at the first-year rate of 24

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[6] National Automobile Dealers Association (NADA) clean retail value means "a vehicle with no mechanical defects and passes all necessary inspections with ease. Paint, body and wheels have minor surface scratching with a high gloss finish and shine. Interior reflects minimal soiling and wear with all equipment in complete working order." The Motor Vehicle Valuation for Property Tax report published by the Connecticut Office of Legislative Research on December 19, 2017 uses the term "average retail price" but describes it with the above definition of clean retail value found on www.nadaguides.com. DOR has used the term clean retail as used by NADA as well as found on the City of Hartford's website in describing Connecticut's motor vehicle excise tax methodology.

mills. For a brand new 2017 model year motor vehicle registered for the first time in 2018, the second-year rate applies because the motor vehicle is not the first or current year of model.[7]

There is a $5 minimum bill for any vehicle. Vehicles are subject to an excise tax determined on a monthly proration basis if their registration period is less than 12 months. If you own any motor vehicle that has been registered for less than a full calendar year, you will pay the excise based on the entire month when you registered that vehicle, as well as for the remaining months of the year. For example, a vehicle registered on April 9th will be billed an excise for April through December.

For a sample tax calculation, consider a 2016 vehicle owned for a full year with an *MSRP* of $25,000. For the tax year analyzed by this report, the vehicle is in year 3. The motor vehicle excise tax due and payable on such a vehicle would be:

$$\$25,000 \, / \, \$1,000 \times \$13.50 = \$337.50.$$

Massachusetts

The motor vehicle excise tax applies to motor vehicles, trailers and motorcycles. "Motor vehicles are defined as all vehicles constructed and designed for propulsion by power other than muscular power including such vehicles when pulled or towed by another motor vehicle, excluding trains and trolleys, wheelchairs, motorized bicycles, and vehicles that are incapable of being driven at a speed more than 12 miles per hour that are used exclusively for building, repairing and maintaining highways or designed especially for use elsewhere than on the traveled part of ways."[8]

According to the Massachusetts Department of Revenue's Motor Vehicle Excise Tax Guide, the motor vehicle excise tax calculation methodology utilizes MSRP and a state-wide rate of $25 per $1,000 of value. Vehicle MSRP is multiplied by a certain percentage dependent upon vehicle year of manufacture.

50% × MSRP for the year before designated year of manufacture

90% × MSRP during year of manufacture

60% × MSRP Second year

40% × MSRP Third year

25% × MSRP Fourth year

10% × MSRP Fifth year and onwards

There is a minimum motor vehicle excise tax of $5. Vehicles are subject to an excise tax determined on a monthly proration basis if their registration period is less than 12 months. If you own any motor vehicle that has been registered for less than a full calendar year, you will pay the excise based on the entire month when you registered that vehicle, as well as for the remaining months of the year. For example, if I register a new car on July 30th, my motor vehicle excise tax bill will be for 6 full months, July through December.

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[7] Maine Revenue Services Property Tax Bulletin Number 13 released December 9, 2019.
https://www1.maine.gov/revenue/forms/property/pubs/bull13.pdf
[8] Massachusetts Department of Revenue Motor Vehicle Excise Guide last updated May 6, 2020.
https://www.mass.gov/guides/motor-vehicle-excise

For a sample tax calculation, consider a 2016 vehicle owned for a full year with an *MSRP* of $25,000. For the tax year analyzed by this report, the vehicle is in its second year. The motor vehicle excise tax due and payable on such a vehicle would be:

$$60\% \times \$25,000 \times (\$25.00/\$1,000) = \$375.$$

New Hampshire

"Motor Vehicle" is defined by the N.H. Rev. Stat. Ann. § 259-260 as any self-propelled vehicle not operated exclusively on stationary tracks including ski area vehicles. Relative to municipal permits for registration it also includes all trailers, semi-trailers and travel trailers but excludes snowmobiles, mobile homes, house trailers, electric bicycles and mopeds. New Hampshire has a two-tier local and state yearly registration fee schedule. While not an excise tax as it is in Rhode Island, DOR felt that New Hampshire's registration fee schedule was similar enough to an excise tax to include it for comparison purposes.

Yearly local fees are collected under the following schedule:

$18.00 × MSRP / $1,000 during current model year of vehicle

$15.00 × MSRP / $1,000 first preceding model year of vehicle

$12.00 × MSRP / $1,000 second preceding model year of vehicle

$9.00 × MSRP / $1,000 third preceding model year of vehicle

$6.00 × MSRP / $1,000 fourth preceding model year of vehicle

$3.00 × MSRP / $1,000 fifth preceding model year of vehicle and any year prior thereto

There is a minimum local motor vehicle registration fee of $5.

For a sample tax calculation, consider a 2016 vehicle owned for a full year with an *MSRP* of $25,000. For the tax year analyzed by this report, the vehicle is in the second preceding model year of the vehicle. The motor vehicle and excise tax due and payable on such a vehicle would be:

$$\$12.00 \times (\$25,000/\$1,000) = \$300.$$

Vermont

No annual motor vehicle excise tax is imposed. Vermont does have a registration and title fee which is paid to the Vermont Department of Transportation.

Assessment of Standardization

Data Description:

The Department of Revenue (DOR) found that in New England, Maine and Massachusetts had standard statewide methodologies for the calculation of motor vehicle excise taxes. To assess the feasibility of standardizing the motor vehicle and trailer excise tax calculation methodology across all cities, towns and fire districts in Rhode Island, DOR replicated the Maine and Massachusetts methods of motor vehicle excise taxation on available Rhode Island data.

The analysis in this report utilizes Rhode Island motor vehicle registration data with an assessment date of 12/31/2017 corresponding to local tax year 2018 and local fiscal year 2019. There are two exceptions to this date criteria, East Providence and the Saylesville Fire District, both of which have fiscal years that do not run from July 1 to June 30 and were in their local 2018 fiscal year at the time the data used for this analysis was collected. Currently, the state of Rhode Island utilizes clean retail value of a vehicle in order to determine the vehicle's value for excise tax calculation purposes.

The Department of Revenue, Division of Motor Vehicles (DMV) contracts with J.D. Power to provide municipalities on an annual basis with as many NADA clean retail values for motor vehicles and trailers that are garaged in each municipality as possible. For motor vehicles and trailers for which J.D. Power is unable to find a suitable vehicle value, the tax assessors for each city and town determine the value of these motor vehicles and trailers.

The motor vehicle valuation methodology employed by Rhode Island cities and towns differs from those of Maine and Massachusetts where the MSRP of a motor vehicle and/or trailer is used as the base value for tax calculation purposes. The MSRP, or manufacturer's suggested retail price, of a vehicle and/or trailer is not dependent on the condition or mileage of the vehicle. The MSRP is specified by the manufacturer in the year that the vehicle and/or trailer is released for sale to the public and does not change over the course of the vehicle's life. For this report, DOR worked with J.D. Power to obtain all available MSRPs for all vehicles registered in Rhode Island for local tax year 2018.

DOR was able to obtain an MSRP match for 90.66% of the motor vehicles and trailers that were on a municipality's tax roll as of this assessment date. The match percentages by municipality ranged from a high of 96.47% in Central Falls to the lowest match percent of 79.15% in New Shoreham. For the state, the total motor vehicle and trailer excise tax amount for local FY 2019 tax bills for the subset of matched vehicles was $173.03 million. This subset of vehicles represents 97.37% of the sum of certified tax levies across the state for that tax year, which was $177.71 million. The certified tax levy is the total amount of tax levied for motor vehicles and trailers for that tax year certified as accurate by the city or town. In this case, it was the actual tax year 2018 bills calculated under the current law phase-out methodology in Rhode Island. New Shoreham had the highest municipal tax levy that was matched at 99.25% while East Greenwich had the lowest tax levy matched at 87.66%.

For the analysis that follows, DOR recalculated the taxes that would be owed by owners of taxable motor vehicles and trailers using the motor vehicle excise tax calculation methodologies applied

by Maine and Massachusetts, as described above, for all the vehicles with a matched MSRP[9]. In both Maine and Massachusetts, there is a provision in state law that the minimum bill for any motor vehicle subject to their motor vehicle excise tax is $5.00. DOR adopted this minimum bill provision in its calculations.

Fire Districts:

It should be noted that vehicles registered in the Town of Lincoln currently receive a motor vehicle and trailer excise tax bill from the town as well as a motor vehicle and trailer excise tax bill from the respective fire district in which the motor vehicles and trailers are garaged. Lincoln currently has 5 fire districts: Albion, Lime Rock, Manville, Quinnville and Saylesville. The Fire Districts' tax rates range from $1.10 per $1,000 of assessed value in the Albion fire district up to $2.50 per $1,000 of assessed value in the Saylesville fire district. In this analysis, DOR has not estimated the impact of changing the motor vehicle and trailer excise tax calculation methodology for the Lincoln fire districts.

Evaluation and Analysis:

Under a standardized taxation method, each vehicle would be charged the same tax regardless of which municipality it was registered in since the vehicle would have the same assessed value and be subject to the same exemption amount and the same tax rate in any given city or town. Under current Rhode Island law, the same vehicle could be charged different tax amounts based on different assessed values, exemption amounts and tax rates of the municipality in which the vehicle is sited. To better understand how Rhode Island's current non-standardized motor vehicle and trailer excise tax calculation methodology works, DOR selected the City of Providence and the Town of Johnston as illustrative examples.

Comparison of Motor Vehicle Excise Taxes at the Vehicle Level:

Table 1. below looks at the different motor vehicle excise tax amounts an individual vehicle would be charged under current Rhode Island law for the City of Providence as well as estimates of what the same vehicle would be charged under the Maine and Massachusetts methods of motor vehicle taxation. The first column provides the make, model and year for specific vehicles. The first four vehicles listed were among the most popular motor vehicles registered in Rhode Island in tax year 2018[10]. The last vehicle listed was included because it is also a relatively popular vehicle but with a higher MSRP than the other four vehicles included in the table. The second column shows the number of each type of vehicle that is garaged in Providence. The third column displays the average MSRP for each vehicle listed that was included in the Providence tax roll for local tax year 2018. The mean MSRP is used as each vehicle listed has various trim lines and/or options that will impact the MSRP for a given individual vehicle.

It is important to note that the calculations for Providence and Johnston contained in Tables 1. and 2. were computed on the individual vehicle level. All tax amounts for vehicles with the same

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[9] The excise tax imposed in Rhode Island is not applied to vehicles or trailers owned by the state of Rhode Island or any of its political subdivisions; those owned by the United States government; farm vehicles; and any vehicles or trailers owned by a corporation, association or other organization whose tangible personal property is otherwise exempt. R.I. Gen. Laws§ 44-34-2(h)

[10] Statewide, in tax year 2018 there were 2,562 registered 2014 Honda Accords, 2,350 registered 2012 Toyota Camrys, 2,726 registered 2010 Toyota Corollas, 2,371 registered 2017 Toyota Rav4s and 878 registered 2017 Ford Explorers.

make, model, and year were averaged to arrive at the values displayed. The one exception to this is the amounts listed for the 2017 Ford Explorer. Due to the smaller subset of vehicles, the number of days owned was significantly impacting the final tax amount. Therefore, only vehicles that were registered for 100 days or more were averaged to give a clearer picture of how much a vehicle with an MSRP greater than $35,000 would pay for a yearly motor vehicle excise tax bill.

Table 1. Comparison of Motor Vehicle Excise Taxes for Providence Under Current Rhode Island Law and Maine and Massachusetts Motor Vehicle Excise Tax Calculation Methodologies

Make/Model/Year	Providence Total Vehicle Count	Average MSRP	Providence FY 2019 (TY 2018) Average Tax Amount	Providence FY 2020 (TY 2019) Estimated Tax Amount on 12-31-2017 file (DOR Calculation)	Maine Methodology	Massachusetts Methodology
Honda Accord 2014	316	$23,774	$329.04	$199.19	$102.93	$98.98
Toyota Camry 2012	283	$22,810	$304.84	$176.52	$75.02	$46.90
Toyota Corolla 2010	284	$15,400	$165.41	$82.69	$50.01	$31.32
Toyota Rav4 2017	194	$28,396	$553.66	$354.29	$302.70	$389.18
Ford Explorer 2017*	27	$37,479	$853.06	$554.93	$512.46	$658.88
*In Providence for tax year 2018 there were 83 vehicles that matched this make, model and year, however only 27 of them were registered for 100 days or more and considered for this analysis.						

The Providence tax amounts shown are the average tax amounts of all vehicles with the same make, model, and year but registered only in Providence. Not all vehicles in each subset of corresponding individual vehicles were owned for a full year. The Maine and Massachusetts tax amounts are the average calculated tax amounts for the vehicles with the same make, model, and year. It should be noted that for the Maine and Massachusetts' tax amounts presented, not all vehicles in that subset were registered for a full year and were thus prorated on a monthly basis as is the practice in both Maine and Massachusetts.

As a reminder, under current Rhode Island law for FY 2019, municipalities could charge a maximum motor vehicle excise tax rate of $50 per $1,000 of assessed value with a minimum exemption amount of $2,000 and an assessed value set at 90% percent of the NADA clean retail value allowed. For FY 2020, municipalities could charge a maximum motor vehicle excise tax rate of $35 per $1,000 of assessed value with a minimum exemption amount of $3,000 and an assessed value of 85% percent of the NADA clean retail value allowed. In FY 2019, the City of Providence used these state mandated parameters when calculating motor vehicle and trailer excise tax bills.

In calculating the taxes owed in Providence, the average retail vehicle value for 2014 Honda Accords registered in Providence for tax year 2018 was $13,802. For FY 2019 this amount was multiplied by the state assessment ratio of 90%

$$\$13{,}802 \times 0.90 = \$12{,}422.$$

This value was then prorated by days of ownership. Similarly, the state exemption amount which for FY 2019 in Providence was $2,000 is prorated by days of ownership. In this sample calculation we'll assume the car was owned for a full year.

$$\$12{,}422 \times \left(\frac{365}{365}\right) = \$12{,}422,$$

$$\$2{,}000 \times \left(\frac{365}{365}\right) = \$2{,}000.$$

The prorated days owned state exemption amount is then subtracted from the prorated days owned vehicle value to arrive at the prorated days owned taxable value amount of $10,422 for a vehicle that was registered for a full year

$$\$12{,}422 - \$2{,}000 = \$10{,}422.$$

If there were any local exemptions offered by the municipality that the taxpayer qualified for, such as veterans or elderly exemptions, these amounts would then be subtracted. In this example, ORA assumes that no local exemptions apply. The resulting value is then multiplied by the tax rate of $50 per $1,000 assessed value to arrive at a tax amount of $521.10

$$(\$10{,}422 \div \$1{,}000) \times \$50 = \$521.10.$$

Finally, this amount is compared to last year's tax amount to ensure that the hold harmless provision, a stipulation in state law that ensures that a motor vehicle or trailer that is owned by the same taxpayer for the same number of days or less in the prior tax year is not taxed more in a subsequent year, is not violated. The range of tax year 2018 Providence tax amounts for 2014 Honda Accords registered in the city ranged from a minimum of $1.30 to a maximum of $747.13 depending upon the clean retail value of the vehicle, days owned, and any possible local exemptions. The tax amount displayed in the table is the average of all these individual tax amounts. A similar procedure was followed to estimate FY 2020 motor vehicle excise tax amounts utilizing the FY 2020 tax rate and exemption amounts for Providence described above.

The average MSRP for the entire subset of 2014 Honda Accords garaged in Providence was $23,774. The average is shown because there are multiple MSRPs due to the different trim levels offered by the manufacturer. A 2014 vehicle has an age of 5 for the 2018 tax year. In the Maine calculation, the MSRP was divided by $1,000 and multiplied by a tax rate of $6.50 to arrive at $154.53 as the full year tax amount

$$(\$23{,}774 \div \$1{,}000) \times \$6.50 = \$154.53.$$

The tax amount was then prorated by months of ownership. If a taxpayer only owned the vehicle for 6 months, they would be taxed half that amount. Finally, if the above calculation yielded less than $5, the bill amount was set to $5 to replicate the minimum billing practices of Maine.

Similarly, in the Massachusetts calculation, the MSRP was divided by $1,000 and the value was multiplied by 25% since a 2014 vehicle is in its fourth year since manufacture in tax year 2018. This value was then multiplied by the tax rate of $25 to arrive at a full year tax amount of $148.59

$$(\$23{,}774 \div \$1{,}000) \times 0.25 \times \$25 = \$148.59.$$

Again, the tax amounts were prorated for months of ownership and a minimum bill amount of $5 was utilized just like for Maine.

It is important to note why the values shown in the table are different. The above described calculations use the average MSRP across all vehicles with that same make, model and year. Vehicles included in this subset could have a lower MSRP than the average shown. For example,

in the 2014 Honda Accord subset of vehicles, the lowest matched statewide MSRP in the data set was $14,645 while the highest matched MSRP was $35,140 due to the differences in trim levels and vehicle options even though the vehicles have the same make, model and year. The tax amounts shown represent what would have been the average actual bills mailed to taxpayers. Some of these vehicles were not owned for a full year. For example, for the entire 2014 Honda Accord subset, the average number of days owned was 252, or less than a full year. Each of the above calculations were computed at the individual vehicle level and the tax amounts were averaged to display in the table.

Table 2. displays the same motor vehicle tax amounts but only for vehicles that were garaged in the Town of Johnston for tax year 2018. The same procedure as described above for calculating the taxes owed under the Maine and Massachusetts methods of taxation was followed for this subset of vehicles.

Table 2. Comparison of Motor Vehicle Excise Taxes for Johnston Under Current Rhode Island Law and Maine and Massachusetts Motor Vehicle Excise Tax Calculation Methodologies

Make/Model/Year	Johnston Total Vehicle Count	Average MSRP	Johnston FY 2019 (TY 2018) Average Tax Amount	Johnston FY 2020 (TY 2019) Estimated Tax Amount on 12-31-2017 file (DOR Calculation)	Maine Methodology	Massachusetts Methodology
Honda Accord 2014	97	$23,649	$269.31	$196.69	$100.50	$96.64
Toyota Camry 2012	56	$22,999	$265.34	$185.27	$78.80	$49.26
Toyota Corolla 2010	62	$15,350	$156.04	$92.79	$57.52	$35.96
Toyota Rav4 2017	71	$28,392	$487.53	$376.08	$317.19	$407.81
Ford Explorer 2017*	20	$37,417	$879.07	$689.78	$526.02	$676.31
*In Johnston for tax year 2018 there were 25 vehicles that matched this make, model and year, however only 20 of them were registered for 100 days or more and considered for this analysis.						

In Johnston, the FY 2019 tax rate was $41.46 per $1,000 of assessed value with an exemption amount of $2,000. In FY 2020 the Johnston tax rate was $35 per $1,000 of assessed value and an exemption amount of $3,000. Johnston is also one of municipalities that utilizes an aging schedule.

The average retail value of all 2014 Honda Accords registered in Johnston for tax year 2018 was $13,860. For FY 2019 this amount was multiplied by the state assessment ratio of 90%

$$\$13,860 \times 0.90 = \$12,474.$$

This value was then prorated by days of ownership. Similarly, the state exemption amount, which for FY 2019 in Johnston was $2,000, was prorated by days of ownership. In this sample calculation we'll assume the car was owned for a full year

$$\$12,474 \times \left(\frac{365}{365}\right) = \$12,474,$$

$$\$2,000 \times \left(\frac{365}{365}\right) = \$2,000.$$

The prorated days owned state exemption amount was then subtracted from the prorated days owned vehicle value to arrive at a taxable value amount of $10,474 for a vehicle that was registered for a full year

$$\$12,474 - \$2,000 = \$10,474.$$

If there were any local exemptions offered by the municipality that the taxpayer qualified for such as veterans or elderly exemptions, these amounts were then be subtracted. In this example, ORA assumes that no local exemptions apply.

In Johnston, if the vehicle is of type 01,[11] which the 2014 Honda Accord is, a second value was calculated using the aging methodology and this value was compared to the prorated days owned taxable vehicle value of $10,474. The lower of these two values was then used to calculate taxes owed. The prorated vehicle value reduced by the state assessment ratio of $12,474 was multiplied by the vehicle's aging ratio based on the vehicle's year. For FY 2019, a 2014 vehicle's aging ratio in Johnston was 100%

$$\$12,474 \times 1.0 = \$12,474.$$

The vehicle's aged value of $12,474 is compared to the vehicle's prorated days owned taxable value of $10,474 and the lower value is used to calculate taxes owed

$$Min(\$12,474, \$10,474) = \$10,474.$$

The resulting minimum value was then multiplied by the tax rate of $41.46 per $1,000 assessed value to arrive at a tax amount of $434.25

$$(\$10,474 \div \$1,000) \times \$41.46 = \$434.25$$

Finally, this tax amount was compared to last year's tax amount to ensure that the hold harmless provision in state law was not violated.

In comparing the motor vehicle excise taxes owed on vehicles of the same make, model and year for FY 2019, it is easy to see the differences owners would have had to pay dependent upon where the vehicle was garaged. For the 2017 Toyota Rav4 for example there was a difference on the average tax amount billed of greater than $60 between Johnston and Providence. Beginning in FY 2020, both Providence and Johnston were subject to a maximum tax rate of $35 per $1,000 of assessed value. This is still greatly different than the New Shoreham tax rate of $9.75 per $1,000 of assessed value or even Charlestown's rate of $13.08 per $1,000 of assessed value.

Comparison of Tax Levies by Municipality:

The following tables compare the total taxes collected or estimated to be collected by each municipality under different methods of taxation. In each of the tables, the tax rate of the municipality, the FY 2018 baseline levy and a current law Rhode Island tax amount are compared to the taxes that would have been collected under either the Maine or Massachusetts methods of taxation as detailed in the New England states section.

The baseline levy refers to the amount of tax that would have been levied in local FY 2018 corresponding to local tax year 2017 with an assessment date of 12/31/2016 if Article 11 had not become law. It is DOR's closest estimation of what municipalities would have levied in motor vehicle and trailer excise taxes that year, except under the law that existed prior to the passage of 2019-H-5175 Article 11 as Amended. Under prior law, municipalities had the flexibility to change

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[11] Vehicle type 01 describes a private passenger vehicle with or without a vanity plate.

their local exemption amount and several municipalities would typically do so each year. In submitting their baseline motor vehicle and trailer excise tax levies under the FY 2018 baseline scenario, municipalities were not allowed to change their motor vehicle excise tax calculation methodology from what was used in the determination of the local FY 2017 motor vehicle and trailer excise tax levy. Under 2019-H-5175 Article 11 as Amended, a municipality is reimbursed by the state for the difference between their current fiscal year motor vehicle and trailer excise tax levy and the FY 2018 baseline motor vehicle and trailer excise tax levy referenced in the table.

All tax amounts presented are only representative of the 90.66% of vehicles for which DOR was able to find an MSRP match and therefore was able to perform the Maine and Massachusetts tax comparison calculations. Tax calculations were performed on each individual vehicle and then the tax amounts were summed by municipality to obtain the estimates in the tables.

Table 3. displays the actual FY 2019 Rhode Island motor vehicle and trailer excise tax amounts for all vehicles for which DOR was able to find an MSRP match and compares those amounts to the motor vehicle and trailer excise taxes that would have been owed if the Maine state standardized motor vehicle and trailer excise tax calculation methodology was applied instead for that year. As can be seen in the table, DOR is estimating that in total, municipalities collected $40.1 million more in FY 2019 under the Rhode Island non-standardized motor vehicle and trailer excise tax calculation methodology when compared to Maine's method for the excise taxation of motor vehicles. The table is sorted by the difference between the FY 2019 Rhode Island excise tax amount and the FY 2019 Maine methodology excise tax amount.

Table 3. Comparison of FY 2019 Motor Vehicle Excise Taxes Collected by Municipality: Rhode Island vs. Maine Motor Vehicle Excise Tax Calculation Methodologies

Town Name	FY 2019 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2019 Rhode Island Motor Vehicle Excise Tax Amount	FY 2019 Maine Motor Vehicle Excise Tax Amount	Difference
Narragansett	$16.46	$1,645,641	$1,365,251	$2,597,733	($1,232,482)
Tiverton	$19.14	$1,647,896	$1,367,780	$2,415,586	($1,047,806)
Middletown	$16.05	$1,900,301	$1,637,328	$2,465,416	($828,087)
Bristol	$17.35	$2,796,382	$2,198,156	$2,998,081	($799,925)
Newport	$23.45	$2,143,029	$1,787,445	$2,573,877	($786,432)
Coventry	$18.75	$5,621,151	$4,268,637	$5,030,336	($761,698)
South Kingstown	$18.71	$3,788,010	$3,182,474	$3,935,797	($753,323)
East Greenwich	$22.88	$2,333,221	$1,743,100	$2,454,033	($710,934)
Portsmouth	$22.50	$2,319,596	$2,005,969	$2,715,841	($709,872)
Jamestown	$14.42	$600,459	$499,166	$1,060,496	($561,330)
Charlestown	$13.08	$976,062	$770,269	$1,277,418	($507,149)
Cumberland	$19.87	$5,819,819	$4,536,615	$5,002,002	($465,388)
Little Compton	$13.90	$353,311	$290,222	$659,833	($369,610)
West Warwick	$28.47	$5,435,315	$4,266,376	$4,607,540	($341,164)
North Kingstown	$22.04	$5,186,229	$4,541,901	$4,852,951	($311,050)
New Shoreham	$9.75	$156,388	$110,362	$327,526	($217,164)
Scituate	$30.20	$1,905,858	$1,605,100	$1,820,188	($215,088)
Richmond	$22.64	$1,381,745	$1,021,206	$1,188,091	($166,884)

Town Name	FY 2019 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2019 Rhode Island Motor Vehicle Excise Tax Amount	FY 2019 Maine Motor Vehicle Excise Tax Amount	Difference
West Greenwich	$19.02	$1,275,729	$1,021,241	$1,157,602	($136,361)
Hopkinton	$21.18	$1,556,875	$1,159,262	$1,225,170	($65,908)
Glocester	$24.37	$2,277,231	$1,747,830	$1,593,125	$154,705
Warren	$26.00	$1,996,562	$1,518,172	$1,350,652	$167,520
Central Falls	$48.65	$1,975,790	$1,562,078	$1,103,541	$458,538
Foster	$36.95	$1,578,077	$1,181,768	$713,038	$468,730
Exeter	$32.59	$2,147,962	$1,599,687	$1,060,537	$539,150
Lincoln	$30.66	$5,476,818	$4,611,668	$3,538,038	$1,073,630
Westerly	$29.67	$5,545,514	$4,476,806	$3,346,681	$1,130,125
North Smithfield	$37.62	$4,215,266	$3,315,387	$1,869,847	$1,445,540
Burrillville	$40.00	$4,846,868	$3,807,183	$2,185,320	$1,621,863
Barrington	$42.00	$5,673,241	$4,947,849	$2,508,083	$2,439,766
Smithfield	$39.00	$6,831,002	$5,939,391	$3,313,450	$2,625,942
Woonsocket	$46.58	$8,946,910	$6,203,280	$3,490,221	$2,713,059
North Providence	$41.95	$9,225,507	$6,900,200	$3,887,452	$3,012,748
Johnston	$41.46	$9,945,432	$7,616,483	$4,450,554	$3,165,929
East Providence	$37.10	$10,916,564	$9,087,941	$5,413,925	$3,674,016
Pawtucket	$50.00	$15,674,222	$10,604,857	$5,872,428	$4,732,429
Cranston	$42.44	$21,269,806	$16,066,481	$10,307,243	$5,759,238
Warwick	$34.60	$24,232,542	$20,380,114	$14,311,488	$6,068,626
Providence	$50.00	$32,511,132	$22,086,403	$12,292,267	$9,794,136
Municipal Total:		**$224,129,465**	**$173,031,441**	**$132,973,406**	**$40,058,035**

One interesting thing to note in Table 3. is that even though overall Rhode Island municipalities impose a greater motor vehicle and trailer excise tax burden under current law than if the Maine standardized motor vehicle and trailer excise tax calculation methodology was used, not all municipalities impose a greater motor vehicle and trailer excise tax burden using the current Rhode Island non-standardized motor vehicle and trailer excise tax calculation methodology. In fact, 20 municipalities receive less in motor vehicle and trailer excise taxes using Rhode Island's current tax calculation methodology than if they used the Maine tax calculation methodology. The savings to Rhode Island taxpayers ranges from $65,908 in Hopkinton to $1.2 million in Narragansett. Conversely, for 19 municipalities with an increased motor vehicle tax burden from the use of the Rhode Island motor vehicle and trailer excise tax calculation methodology rather than that of Maine the amount varies from a low of $154,705 in Glocester to $9.8 million in Providence in local fiscal year 2019.

Table 4. displays the actual FY 2019 Rhode Island motor vehicle and trailer excise tax amounts for all vehicles for which DOR was able to find an MSRP match and compares those amounts to the motor vehicle and trailer excise tax amounts if the Massachusetts motor vehicle and trailer excise tax calculation methodology was applied instead for that year. As shown in the table, DOR estimates that in total, Rhode Island municipalities collected $55.6 million more in FY 2019 under current law motor vehicle and trailer excise taxation when compared to Massachusetts' method for the excise taxation of motor vehicles and trailers. Again, the table is sorted by tax difference.

Table 4. Comparison of FY 2019 Motor Vehicle Excise Taxes Collected by Municipality: Rhode Island vs. Massachusetts Motor Vehicle Excise Tax Calculation Methodologies

Town Name	FY 2019 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2019 Rhode Island Motor Vehicle Excise Tax Amount	FY 2019 Massachusetts Motor Vehicle Excise Tax Amount	Difference
Narragansett	$16.46	$1,645,641	$1,365,251	$2,393,802	($1,028,551)
Tiverton	$19.14	$1,647,896	$1,367,780	$2,107,589	($739,809)
Middletown	$16.05	$1,900,301	$1,637,328	$2,263,947	($626,619)
East Greenwich	$22.88	$2,333,221	$1,743,100	$2,270,175	($527,075)
Newport	$23.45	$2,143,029	$1,787,445	$2,275,208	($487,762)
Bristol	$17.35	$2,796,382	$2,198,156	$2,669,160	($471,004)
Jamestown	$14.42	$600,459	$499,166	$945,170	($446,004)
Portsmouth	$22.50	$2,319,596	$2,005,969	$2,413,992	($408,023)
Charlestown	$13.08	$976,062	$770,269	$1,117,718	($347,449)
South Kingstown	$18.71	$3,788,010	$3,182,474	$3,513,300	($330,826)
Little Compton	$13.90	$353,311	$290,222	$572,272	($282,050)
New Shoreham	$9.75	$156,388	$110,362	$275,669	($165,307)
Coventry	$18.75	$5,621,151	$4,268,637	$4,418,516	($149,879)
West Warwick	$28.47	$5,435,315	$4,266,376	$4,365,278	($98,903)
West Greenwich	$19.02	$1,275,729	$1,021,241	$1,042,945	($21,704)
Scituate	$30.20	$1,905,858	$1,605,100	$1,619,003	($13,903)
Richmond	$22.64	$1,381,745	$1,021,206	$1,029,460	($8,253)
Cumberland	$19.87	$5,819,819	$4,536,615	$4,470,927	$65,688
North Kingstown	$22.04	$5,186,229	$4,541,901	$4,467,514	$74,387
Hopkinton	$21.18	$1,556,875	$1,159,262	$1,038,445	$120,817
Warren	$26.00	$1,996,562	$1,518,172	$1,154,984	$363,188
Glocester	$24.37	$2,277,231	$1,747,830	$1,376,819	$371,011
Foster	$36.95	$1,578,077	$1,181,768	$607,319	$574,449
Exeter	$32.59	$2,147,962	$1,599,687	$940,986	$658,701
Central Falls	$48.65	$1,975,790	$1,562,078	$826,092	$735,986
Lincoln	$30.66	$5,476,818	$4,611,668	$3,189,998	$1,421,670
Westerly	$29.67	$5,545,514	$4,476,806	$2,927,584	$1,549,221
North Smithfield	$37.62	$4,215,266	$3,315,387	$1,663,356	$1,652,031
Burrillville	$40.00	$4,846,868	$3,807,183	$1,866,901	$1,940,282
Barrington	$42.00	$5,673,241	$4,947,849	$2,260,766	$2,687,083
Smithfield	$39.00	$6,831,002	$5,939,391	$3,027,395	$2,911,996
Woonsocket	$46.58	$8,946,910	$6,203,280	$2,852,567	$3,350,714
North Providence	$41.95	$9,225,507	$6,900,200	$3,433,297	$3,466,903
Johnston	$41.46	$9,945,432	$7,616,483	$3,989,455	$3,627,028
East Providence	$37.10	$10,916,564	$9,087,941	$4,624,490	$4,463,451
Pawtucket	$50.00	$15,674,222	$10,604,857	$4,741,231	$5,863,626
Cranston	$42.44	$21,269,806	$16,066,481	$9,167,845	$6,898,637
Warwick	$34.60	$24,232,542	$20,380,114	$13,396,398	$6,983,717
Providence	$50.00	$32,511,132	$22,086,403	$10,087,924	$11,998,480
Municipal Total:		**$224,129,465**	**$173,031,441**	**$117,405,497**	**$55,625,944**

Table 4. shows that even though overall Rhode Island municipalities impose a greater motor vehicle and trailer excise tax burden under current law than if the Massachusetts standardized motor vehicle and trailer excise tax calculation methodology was used, not all municipalities impose a greater motor vehicle and trailer excise tax burden using the current Rhode Island non-standardized motor vehicle and trailer excise tax calculation methodology. In fact, 17 municipalities receive less in motor vehicle and trailer excise taxes using Rhode Island's current tax calculation methodology than if they used the Massachusetts tax calculation methodology. The savings to Rhode Island taxpayers ranges from $8,253 in Richmond to $1.0 million in Narragansett. Conversely, the increased burden in 22 municipalities from the use of the Rhode Island motor vehicle and trailer excise tax calculation methodology rather than that of Massachusetts varies from a low of $65,688 in Cumberland to $12.0 million in Providence in local fiscal year 2019.

Tables 5. and 6. compare the Maine and Massachusetts' motor vehicle and trailer excise tax calculation methodology to DOR's estimate of the amount of motor vehicle and trailer excise taxes Rhode Island municipalities will collect in FY 2020 under current Rhode Island law. The FY 2020 calculated Rhode Island tax amounts follow Rhode Island current law for tax rates, exemption amounts and the state assessment ratio. A maximum tax rate of $35 per $1,000 of assessed value, a minimum exemption amount of $3,000 and an allowed assessed value of 85% of the NADA clean retail value was utilized on all 1,029,803 vehicle records with a matched MSRP. The calculations were performed on the motor vehicles and trailers registered and taxed for tax year 2018.

In practice, the actual motor vehicle and trailer excise tax revenues received by municipalities in FY 2020 will be based on the tax year 2019 motor vehicle tax rolls.[12] Thus, the estimate of FY 2020 motor vehicle and trailer excise tax collections does not take into account any changes to municipal tax rolls that result from a change in the mix of motor vehicles and trailers garaged in a particular municipality that occurs between tax year 2018 and tax year 2019. Tables 5. and 6. also include the FY 2018 baseline levy and the municipal tax rate for FY 2020.

As can be seen in Table 5., DOR is estimating that, in total, in FY 2020 municipalities collected $1.1 million more under the Rhode Island non-standardized motor vehicle and trailer excise tax calculation methodology compared to the use of the Maine standardized tax calculation methodology for motor vehicles and trailers.

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[12] Table 14. found in Appendix B. of this report compares DOR's estimated FY 2020 tax levies to the certified levies of FY 2020.

Table 5. Comparison of FY 2020 Motor Vehicle Excise Taxes Collected by Municipality: Rhode Island vs. Maine Motor Vehicle Excise Tax Calculation Methodologies

Town Name	FY 2020 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2020 DOR Estimated Motor Vehicle Excise Tax Amount (TY 2018 File)	FY 2020 Maine Motor Vehicle Excise Tax Amount (TY 2018 File)	Difference
Coventry	$18.75	$5,621,151	$3,702,653	$5,030,336	($1,327,683)
Narragansett	$16.46	$1,645,641	$1,292,579	$2,597,733	($1,305,154)
Tiverton	$19.14	$1,647,896	$1,292,214	$2,415,586	($1,123,372)
Cumberland	$19.87	$5,819,819	$3,986,745	$5,002,002	($1,015,257)
Bristol	$17.35	$2,796,382	$1,993,797	$2,998,081	($1,004,284)
Portsmouth	$22.50	$2,319,596	$1,775,326	$2,715,841	($940,514)
West Warwick	$28.47	$5,435,315	$3,691,391	$4,607,540	($916,149)
Middletown	$16.05	$1,900,301	$1,569,089	$2,465,416	($896,327)
South Kingstown	$18.71	$3,788,010	$3,045,006	$3,935,797	($890,792)
Newport	$23.45	$2,143,029	$1,690,413	$2,573,877	($883,464)
East Greenwich	$22.88	$2,333,221	$1,782,093	$2,454,033	($671,941)
Charlestown	$13.08	$976,062	$676,713	$1,277,418	($600,705)
Jamestown	$14.42	$600,459	$473,140	$1,060,496	($587,355)
North Kingstown	$22.04	$5,186,229	$4,350,051	$4,852,951	($502,900)
Little Compton	$13.90	$353,311	$274,560	$659,833	($385,273)
Scituate	$30.20	$1,905,858	$1,518,960	$1,820,188	($301,228)
Richmond	$22.64	$1,381,745	$894,254	$1,188,091	($293,837)
West Greenwich	$19.02	$1,275,729	$903,103	$1,157,602	($254,499)
New Shoreham	$9.75	$156,388	$97,711	$327,526	($229,814)
Hopkinton	$21.18	$1,556,875	$1,010,610	$1,225,170	($214,560)
Central Falls	$35.00	$1,975,790	$939,762	$1,103,541	($163,779)
Glocester	$24.37	$2,277,231	$1,534,316	$1,593,125	($58,809)
Warren	$26.00	$1,996,562	$1,322,499	$1,350,652	($28,154)
Foster	$35.00	$1,578,077	$980,335	$713,038	$267,297
Exeter	$32.59	$2,147,962	$1,414,224	$1,060,537	$353,687
Woonsocket	$35.00	$8,946,910	$3,865,549	$3,490,221	$375,328
Pawtucket	$35.00	$15,674,222	$6,323,685	$5,872,428	$451,257
Westerly	$29.67	$5,545,514	$3,856,389	$3,346,681	$509,708
Providence	$35.00	$32,511,132	$12,957,254	$12,292,267	$664,987
Burrillville	$35.00	$4,846,868	$2,901,384	$2,185,320	$716,065
North Smithfield	$35.00	$4,215,266	$2,716,925	$1,869,847	$847,079
Lincoln	$30.66	$5,476,818	$4,420,134	$3,538,038	$882,096
North Providence	$35.00	$9,225,507	$4,894,233	$3,887,452	$1,006,781
Cranston	$35.00	$21,269,806	$11,394,970	$10,307,243	$1,087,727
East Providence	$37.10	$10,916,564	$6,578,197	$5,413,925	$1,164,272
Barrington	$35.00	$5,673,241	$3,676,661	$2,508,083	$1,168,578
Johnston	$35.00	$9,945,432	$5,639,409	$4,450,554	$1,188,855
Smithfield	$35.00	$6,831,002	$4,726,411	$3,313,450	$1,412,961
Warwick	$34.60	$24,232,542	$17,919,829	$14,311,488	$3,608,341
Municipal Total:		**$224,129,465**	**$134,082,575**	**$132,973,406**	**$1,109,170**

One interesting thing to note in Table 5. is that even though overall Rhode Island municipalities impose a greater FY 2020 motor vehicle and trailer excise tax burden under current law than if the Maine standardized motor vehicle and trailer excise tax calculation methodology was used, not all municipalities impose a greater motor vehicle and trailer excise tax burden using the current Rhode Island non-standardized motor vehicle and trailer excise tax calculation methodology. In fact, 23 municipalities receive less in motor vehicle and trailer excise taxes using Rhode Island's FY 2020 tax calculation methodology than if they used the Maine tax calculation methodology. The savings to Rhode Island taxpayers ranges from $28,154 in Warren to $1.3 million in Coventry. Conversely, the increased burden to Rhode Island taxpayers in 16 communities from the use of the FY 2020 Rhode Island motor vehicle and trailer excise tax calculation methodology rather than that of Maine varies from a low of $267,297 in Foster to $3.6 million in Warwick.

As can be seen in Table 6., DOR is estimating that in total, municipalities collected $16.7 million more under the current Rhode Island motor vehicle excise tax compared to the Massachusetts method of motor vehicle taxation in FY 2020 for the same cohort of vehicles.

Table 6. Comparison of FY 2020 Motor Vehicle Excise Taxes Collected by Municipality: Rhode Island vs. Massachusetts Motor Vehicle Excise Tax Calculation Methodologies

Town Name	FY 2020 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2020 DOR Estimated Motor Vehicle Excise Tax Amount (TY 2018 File)	FY 2020 Massachusetts Motor Vehicle Excise Tax Amount	Difference
Narragansett	$16.46	$1,645,641	$1,292,579	$2,393,802	($1,101,223)
Tiverton	$19.14	$1,647,896	$1,292,214	$2,107,589	($815,374)
Coventry	$18.75	$5,621,151	$3,702,653	$4,418,516	($715,863)
Middletown	$16.05	$1,900,301	$1,569,089	$2,263,947	($694,858)
Bristol	$17.35	$2,796,382	$1,993,797	$2,669,160	($675,362)
West Warwick	$28.47	$5,435,315	$3,691,391	$4,365,278	($673,887)
Portsmouth	$22.50	$2,319,596	$1,775,326	$2,413,992	($638,666)
Newport	$23.45	$2,143,029	$1,690,413	$2,275,208	($584,795)
East Greenwich	$22.88	$2,333,221	$1,782,093	$2,270,175	($488,082)
Cumberland	$19.87	$5,819,819	$3,986,745	$4,470,927	($484,182)
Jamestown	$14.42	$600,459	$473,140	$945,170	($472,030)
South Kingstown	$18.71	$3,788,010	$3,045,006	$3,513,300	($468,294)
Charlestown	$13.08	$976,062	$676,713	$1,117,718	($441,006)
Little Compton	$13.90	$353,311	$274,560	$572,272	($297,712)
New Shoreham	$9.75	$156,388	$97,711	$275,669	($177,958)
West Greenwich	$19.02	$1,275,729	$903,103	$1,042,945	($139,842)
Richmond	$22.64	$1,381,745	$894,254	$1,029,460	($135,206)
North Kingstown	$22.04	$5,186,229	$4,350,051	$4,467,514	($117,463)
Scituate	$30.20	$1,905,858	$1,518,960	$1,619,003	($100,043)
Hopkinton	$21.18	$1,556,875	$1,010,610	$1,038,445	($27,835)
Central Falls	$35.00	$1,975,790	$939,762	$826,092	$113,670
Glocester	$24.37	$2,277,231	$1,534,316	$1,376,819	$157,497

Town Name	FY 2020 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2020 DOR Estimated Motor Vehicle Excise Tax Amount (TY 2018 File)	FY 2020 Massachusetts Motor Vehicle Excise Tax Amount	Difference
Warren	$26.00	$1,996,562	$1,322,499	$1,154,984	$167,514
Foster	$35.00	$1,578,077	$980,335	$607,319	$373,015
Exeter	$32.59	$2,147,962	$1,414,224	$940,986	$473,238
Westerly	$29.67	$5,545,514	$3,856,389	$2,927,584	$928,804
Woonsocket	$35.00	$8,946,910	$3,865,549	$2,852,567	$1,012,982
Burrillville	$35.00	$4,846,868	$2,901,384	$1,866,901	$1,034,483
North Smithfield	$35.00	$4,215,266	$2,716,925	$1,663,356	$1,053,569
Lincoln	$30.66	$5,476,818	$4,420,134	$3,189,998	$1,230,135
Barrington	$35.00	$5,673,241	$3,676,661	$2,260,766	$1,415,895
North Providence	$35.00	$9,225,507	$4,894,233	$3,433,297	$1,460,936
Pawtucket	$35.00	$15,674,222	$6,323,685	$4,741,231	$1,582,454
Johnston	$35.00	$9,945,432	$5,639,409	$3,989,455	$1,649,954
Smithfield	$35.00	$6,831,002	$4,726,411	$3,027,395	$1,699,016
East Providence	$37.10	$10,916,564	$6,578,197	$4,624,490	$1,953,707
Cranston	$35.00	$21,269,806	$11,394,970	$9,167,845	$2,227,126
Providence	$35.00	$32,511,132	$12,957,254	$10,087,924	$2,869,330
Warwick	$34.60	$24,232,542	$17,919,829	$13,396,398	$4,523,432
Municipal Total:		**$224,129,465**	**$134,082,575**	**$117,405,497**	**$16,677,078**

Table 6. shows that even though overall Rhode Island municipalities impose a greater motor vehicle and trailer excise tax burden in FY 2020 than if the Massachusetts standardized motor vehicle and trailer excise tax calculation methodology was used, not all municipalities impose a greater motor vehicle and trailer excise tax burden using the current Rhode Island non-standardized motor vehicle and trailer excise tax calculation methodology. In fact, 20 municipalities impose less in motor vehicle and trailer excise taxes using Rhode Island's FY 2020 tax calculation methodology than if they used the Massachusetts tax calculation methodology. The savings to Rhode Island taxpayers ranges from $27,835 in Hopkinton to $1.1 million in Narragansett. Conversely, for the 19 communities that impose a greater tax burden on motor vehicles and trailers from the use of the FY 2020 Rhode Island motor vehicle and trailer excise tax calculation methodology rather than that of Massachusetts, the higher burden varies from a low of $113,670 in Central Falls to $4.5 million in Warwick.

Comparison of Rhode Island Projected Municipal Motor Vehicle and Trailer Excise Tax Levies to the Maine and Massachusetts Standard Methods:

Tables 7. and 8. show the point in time when under the current Rhode Island motor vehicle and trailer excise tax phase-out schedule each municipal tax levy would first fall below what is estimated by utilizing the Maine or Massachusetts' standardized motor vehicle and trailer excise tax calculation methodology. The Maine or Massachusetts' taxation amounts by municipality are compared to the Rhode Island amounts for the same cohort of vehicles for which an MSRP was able to be obtained from the tax year 2018 tax roll. The Rhode Island tax amounts are forecasted

values following the current law phase-out schedule that was summarized at the beginning of this report regarding maximum allowable tax rate, minimum exemption amount as well as percent of NADA clean retail value allowed.

Table 7. compares forecasted Rhode Island tax levies by municipality to the estimated tax levies following the Maine standard method of taxation. For local fiscal year 2019, a total of 20 municipalities were already at or below the level of taxation that would be imposed under the standard method of taxation used in Maine. For these municipalities, there would be an increase in motor vehicle and trailer excise tax revenue by switching from Rhode Island current law to the statewide standardized motor vehicle and trailer excise tax calculation methodology used in Maine. Based on the current Rhode Island motor vehicle and trailer excise tax phase out schedule, all municipalities would be below or at the same level of taxation as the standard method of taxation utilized in Maine by local fiscal year 2022.

Table 7. Projected Local Fiscal Year (LFY) When Rhode Island Municipalities Have Lower or Equal Motor Vehicle Excise Tax Amounts Under Current Law vs. Maine Motor Vehicle Excise Tax Calculation Methodology

Town Name	LFY 2019 TY 2018	LFY 2020 TY 2019	LFY 2021 TY 2020	LFY 2022 TY 2021
Barrington				✔
Bristol	✔			
Burrillville				✔
Central Falls		✔		
Charlestown	✔			
Coventry	✔			
Cranston			✔	
Cumberland	✔			
East Greenwich	✔			
East Providence				✔
Exeter				✔
Foster				✔
Glocester		✔		
Hopkinton	✔			
Jamestown	✔			
Johnston				✔
Lincoln				✔
Little Compton	✔			
Middletown	✔			
Narragansett	✔			
New Shoreham	✔			
Newport	✔			
North Kingstown	✔			
North Providence				✔
North Smithfield				✔
Pawtucket			✔	

Town Name	LFY 2019 TY 2018	LFY 2020 TY 2019	LFY 2021 TY 2020	LFY 2022 TY 2021
Portsmouth	✔			
Providence			✔	
Richmond	✔			
Scituate	✔			
Smithfield				✔
South Kingstown	✔			
Tiverton	✔			
Warren		✔		
Warwick				✔
West Greenwich	✔			
West Warwick	✔			
Westerly			✔	
Woonsocket			✔	
Municipal Total	**20**	**3**	**5**	**11**
Cumulative Total:		**23**	**28**	**39**

Similarly, Table 8. employs the same methodology used in Table 7. but uses the Massachusetts' statewide standardized motor vehicle and trailer excise tax calculation methodology in place of Maine's. As can be seen from Table 8., for local fiscal year 2019, a total of 17 municipalities were already at or below the level of taxation that would be imposed in Rhode Island under the Massachusetts motor vehicle and trailer excise taxation method. For these municipalities, there would be an increase in motor vehicle and trailer excise tax revenue by switching from Rhode Island current law to the Massachusetts' motor vehicle and trailer excise tax calculation methodology. Based on the current Rhode Island motor vehicle and trailer excise tax phase out schedule, all municipalities would be below or at the same level of taxation as the standard method of taxation utilized in Massachusetts' by local fiscal year 2023.

Table 8. Projected Local Fiscal Year (LFY) When Rhode Island Municipalities Have Lower or Equal Motor Vehicle Excise Tax Amounts Under Current Law vs. Massachusetts Motor Vehicle Excise Tax Calculation Methodology

Town Name	LFY 2019 TY 2018	LFY 2020 TY 2019	LFY 2021 TY 2020	LFY 2022 TY 2021	LFY 2023 TY 2022
Barrington					✔
Bristol	✔				
Burrillville				✔	
Central Falls			✔		
Charlestown	✔				
Coventry	✔				
Cranston				✔	
Cumberland		✔			
East Greenwich	✔				
East Providence				✔	
Exeter				✔	

Town Name	LFY 2019 TY 2018	LFY 2020 TY 2019	LFY 2021 TY 2020	LFY 2022 TY 2021	LFY 2023 TY 2022
Foster				✔	
Glocester			✔		
Hopkinton		✔			
Jamestown	✔				
Johnston				✔	
Lincoln				✔	
Little Compton	✔				
Middletown	✔				
Narragansett	✔				
New Shoreham	✔				
Newport	✔				
North Kingstown		✔			
North Providence				✔	
North Smithfield				✔	
Pawtucket				✔	
Portsmouth	✔				
Providence				✔	
Richmond	✔				
Scituate	✔				
Smithfield				✔	
South Kingstown	✔				
Tiverton	✔				
Warren			✔		
Warwick				✔	
West Greenwich	✔				
West Warwick	✔				
Westerly				✔	
Woonsocket				✔	
Municipal Total	**17**	**3**	**3**	**15**	**1**
Cumulative Total:		**20**	**23**	**38**	**39**

Other Motor Vehicle Excise Tax Calculation Methodology Standardizations

The previous section focused on the impact of the standardized motor vehicle excise tax calculation methodologies that are employed by Maine and Massachusetts on Rhode Island's motor vehicle excise tax. Of course, these two methodologies are not the only two standardized motor vehicle excise tax calculation methodologies that are possible. In fact, one could argue that there are an infinite number of such tax calculation methodologies from which policy makers could choose.

For example, another standardized motor vehicle excise tax calculation methodology that could be chosen is to simply not apply an excise tax to motor vehicles at all, a tax calculation methodology that is employed by an overwhelming majority of states in the United States. Another standardized motor vehicle excise tax calculation methodology would be to take the median value of the Rhode

Island motor vehicle excise tax rate and the Rhode Island total exemption amount and a fixed percentage discount from the clean retail value and apply these factors uniformly to all motor vehicles in the state. This list could go on ad infinitum.

One important factor in assessing the viability of a standardized motor vehicle excise tax calculation methodology is its impact vis-à-vis the state's current motor vehicle excise tax phaseout. To illustrate this point, DOR considered what it determined to be the lowest common denominator of motor vehicle excise taxation in Rhode Island's cities and towns, namely the motor vehicle excise tax calculation methodology employed by Little Compton.

In FY 2019, Little Compton's motor vehicle excise tax rate was $13.90 per $1,000 of assessed value and Little Compton's motor vehicle exemption amount was $6,000. The state assessment ratio in FY 2019 was 90% of the clean retail value of a motor vehicle as determined by the Rhode Island Vehicle Value Commission.[13]. In addition, Little Compton used the following aging schedule for motor vehicles classified as vehicle type 01, private passenger vehicles with or without a vanity plate, when determining the tax amount owed on a given motor vehicle or trailer in FY 2019:

Table 9. Little Compton's FY 2019 Motor Vehicle and Trailer Aging Schedule

Vehicle Age	Model Year	Aging Ratio
1	2018	100%
2	2017	100%
3	2016	100%
4	2015	100%
5	2014	100%
6	2013	95%
7	2012	88%
8	2011	81%
9	2010	76%
10	2009	67%
11	2008	59%
12	2007	53%
13	2006	47%
14	2005	36%
15	2004	37%

Little Compton's motor vehicle excise tax calculation methodology is the same as Cumberland's, the details of which are in Appendix A. The results from applying Little Compton's motor vehicle and trailer excise tax calculation methodology to all Rhode Island municipalities will be referred to as the Lowest Common Denominator (LCD) motor vehicle and trailer excise tax calculation methodology.

Table 10. displays the actual FY 2019 Rhode Island motor vehicle and trailer excise tax amounts for all vehicles and compares those amounts to the motor vehicle and trailer excise taxes that would have been owed if the LCD motor vehicle and trailer excise tax calculation methodology was

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[13] See R. I. Gen. Laws § 44-34-11.

applied instead for that year. As can be seen in the table, DOR is estimating that in total, municipalities collected $122.3 million more in FY 2019 under the Rhode Island motor vehicle and trailer excise tax phaseout calculation methodology when compared to the LCD method for the excise taxation of motor vehicles. The table is sorted by the difference between the FY 2019 Rhode Island excise tax amount and the FY 2019 LCD methodology excise tax amount.

Table 10. Comparison of FY 2019 Motor Vehicle Excise Taxes Collected by Municipality: Rhode Island vs. LCD Motor Vehicle Excise Tax Calculation Methodologies

Town Name	FY 2019 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2019 RI Motor Vehicle Excise Tax Amount	FY 2019 LCD Motor Vehicle Excise Tax Amount	Difference
Little Compton	$13.90	$353,311	$290,222	$290,222	$0
New Shoreham	$9.75	$156,388	$110,362	$106,215	$4,146
Jamestown	$14.42	$600,459	$499,166	$481,411	$17,756
Narragansett	$16.46	$1,645,641	$1,365,251	$1,150,550	$214,701
Charlestown	$13.08	$976,062	$770,269	$541,640	$228,629
Tiverton	$19.14	$1,647,896	$1,367,780	$990,907	$376,873
Richmond	$22.64	$1,381,745	$1,021,206	$515,501	$505,706
West Greenwich	$19.02	$1,275,729	$1,021,241	$511,401	$509,840
Middletown	$16.05	$1,900,301	$1,637,328	$1,048,253	$589,076
East Greenwich	$22.88	$2,333,221	$1,743,100	$1,137,466	$605,633
Hopkinton	$21.18	$1,556,875	$1,159,262	$489,399	$669,863
Newport	$23.45	$2,143,029	$1,787,445	$1,059,970	$727,475
Portsmouth	$22.50	$2,319,596	$2,005,969	$1,204,886	$801,083
Scituate	$30.20	$1,905,858	$1,605,100	$777,780	$827,321
Foster	$36.95	$1,578,077	$1,181,768	$292,560	$889,208
Warren	$26.00	$1,996,562	$1,518,172	$520,895	$997,277
Bristol	$17.35	$2,796,382	$2,198,156	$1,189,188	$1,008,968
Glocester	$24.37	$2,277,231	$1,747,830	$660,268	$1,087,563
Exeter	$32.59	$2,147,962	$1,599,687	$465,719	$1,133,969
Central Falls	$48.65	$1,975,790	$1,562,078	$230,196	$1,331,882
South Kingstown	$18.71	$3,788,010	$3,182,474	$1,700,007	$1,482,467
Coventry	$18.75	$5,621,151	$4,268,637	$2,033,905	$2,234,732
North Kingstown	$22.04	$5,186,229	$4,541,901	$2,128,772	$2,413,129
Cumberland	$19.87	$5,819,819	$4,536,615	$2,107,811	$2,428,803
North Smithfield	$37.62	$4,215,266	$3,315,387	$823,167	$2,492,220
Burrillville	$40.00	$4,846,868	$3,807,183	$852,317	$2,954,866
West Warwick	$28.47	$5,435,315	$4,266,376	$1,311,321	$2,955,055
Lincoln	$30.66	$5,476,818	$4,611,668	$1,563,269	$3,048,400
Westerly	$29.67	$5,545,514	$4,476,806	$1,341,848	$3,134,957
Barrington	$42.00	$5,673,241	$4,947,849	$1,141,857	$3,805,992
Smithfield	$39.00	$6,831,002	$5,939,391	$1,464,838	$4,474,553
Woonsocket	$46.58	$8,946,910	$6,203,280	$1,030,626	$5,172,655
North Providence	$41.95	$9,225,507	$6,900,200	$1,386,844	$5,513,357
Johnston	$41.46	$9,945,432	$7,616,483	$1,684,650	$5,931,832

Town Name	FY 2019 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2019 RI Motor Vehicle Excise Tax Amount	FY 2019 LCD Motor Vehicle Excise Tax Amount	Difference
East Providence	$37.10	$10,916,564	$9,087,941	$1,867,407	$7,220,534
Pawtucket	$50.00	$15,674,222	$10,604,857	$1,669,731	$8,935,126
Cranston	$42.44	$21,269,806	$16,066,481	$3,957,996	$12,108,486
Warwick	$34.60	$24,232,542	$20,380,114	$5,480,378	$14,899,736
Providence	$50.00	$32,511,132	$22,086,403	$3,535,737	$18,550,666
Municipal Total:		**$224,129,465**	**$173,031,441**	**$50,746,909**	**$122,284,532**

One interesting thing to note in Table 10. is that 25 cities and towns have motor vehicle and trailer excise tax burdens that are at least $1,000,000 more under current law than under the LCD motor vehicle excise tax calculation methodology and two municipalities, New Shoreham and Jamestown, have a motor vehicle and trailer excise tax burden difference from current law under the LCD tax calculation methodology that is less than $100,000. Furthermore, 23 cities and towns would have a total motor vehicle and trailer excise tax burden of more than $1,000,000 even with the use of the LCD motor vehicle and trailer excise tax calculation methodology, ranging from $1,030,626 in Woonsocket to $5,480,378 in Warwick. The remaining 16 municipalities have total motor vehicle and trailer excise tax burdens of less than $1,000,000 using the LCD motor vehicle excise tax calculation methodology with the lowest tax burden found in New Shoreham at $106,215 and the highest at $990,907 in Tiverton.[14]

Table 11. compares the LCD motor vehicle and trailer excise tax calculation methodology to DOR's estimate of the amount of motor vehicle and trailer excise taxes Rhode Island municipalities will collect in FY 2020 under current Rhode Island law. The FY 2020 calculated Rhode Island tax amounts follow Rhode Island current law for tax rates, exemption amounts and the state assessment ratio. A maximum tax rate of $35 per $1,000 of assessed value, a minimum exemption amount of $3,000 and an allowed assessed value of 85% of the NADA clean retail value was utilized. The calculations were performed on the motor vehicles and trailers registered and taxed for tax year 2018. It should be noted that for the LCD motor vehicle excise tax calculation, the lower of the state mandated or the LCD employed motor vehicle excise tax parameters were used.[15]

In practice, the actual motor vehicle and trailer excise tax revenues received by municipalities in FY 2020 will be based on the tax year 2019 motor vehicle tax rolls.[16] Thus, the estimate of FY 2020 motor vehicle and trailer excise tax collections does not take into account any changes to

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[14] By design, there is no difference in Little Compton's motor vehicle and trailer excise tax burden under current Rhode Island law and the LCD motor vehicle excise tax calculation methodology even though Little Compton's total motor vehicle and trailer excise tax burden is more than those of New Shoreham and Central Falls under the LCD motor vehicle excise tax calculation methodology.

[15] Based on the state mandated vs. the LCD motor vehicle excise tax parameters, the only change to the LCD motor vehicle excise tax parameters was the reduction in the state assessment ratio from 90% to 85%. In addition, the LCD aging schedule was advanced one year so that the first model year listed was 2019 and passenger cars with model years of 2004 and earlier were not subject to the motor vehicle excise tax.

[16] Table 14. found in Appendix B. of this report compares DOR's estimated FY 2020 tax levies to the certified levies of FY 2020.

municipal tax rolls that result from a change in the mix of motor vehicles and trailers garaged in a particular municipality that occurs between tax year 2018 and tax year 2019. Table 11. also includes the FY 2018 baseline levy and the municipal tax rate for FY 2020.

As can be seen in Table 11., DOR is estimating that, in total, in FY 2020 municipalities collected $86.2 million more under the Rhode Island motor vehicle and trailer excise tax calculation methodology compared to the use of the LCD tax calculation methodology for motor vehicles and trailers.

Table 11. Comparison of FY 2020 Motor Vehicle Excise Taxes Collected by Municipality: Rhode Island vs. LCD Motor Vehicle Excise Tax Calculation Methodologies

Town Name	FY 2020 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2020 DOR Estimated Motor Vehicle Excise Tax Amount (TY 2018 File)	FY 2020 LCD Motor Vehicle Excise Tax Amount (TY 2018 File)	Difference
New Shoreham	$9.75	$156,388	$97,711	$100,319	($2,608)
Little Compton	$13.90	$353,311	$274,560	$274,560	$0
Jamestown	$14.42	$600,459	$473,140	$456,353	$16,787
Charlestown	$13.08	$976,062	$676,713	$511,477	$165,235
Narragansett	$16.46	$1,645,641	$1,292,579	$1,089,697	$202,883
Tiverton	$19.14	$1,647,896	$1,292,214	$936,345	$355,869
Richmond	$22.64	$1,381,745	$894,254	$486,855	$407,400
West Greenwich	$19.02	$1,275,729	$903,103	$484,027	$419,076
Hopkinton	$21.18	$1,556,875	$1,010,610	$461,543	$549,066
Middletown	$16.05	$1,900,301	$1,569,089	$991,767	$577,322
Portsmouth	$22.50	$2,319,596	$1,775,326	$1,139,821	$635,506
Newport	$23.45	$2,143,029	$1,690,413	$1,002,406	$688,007
East Greenwich	$22.88	$2,333,221	$1,782,093	$1,079,784	$702,309
Foster	$35.00	$1,578,077	$980,335	$276,272	$704,063
Central Falls	$35.00	$1,975,790	$939,762	$214,590	$725,172
Scituate	$30.20	$1,905,858	$1,518,960	$736,034	$782,926
Warren	$26.00	$1,996,562	$1,322,499	$491,269	$831,229
Bristol	$17.35	$2,796,382	$1,993,797	$1,123,107	$870,690
Glocester	$24.37	$2,277,231	$1,534,316	$623,673	$910,644
Exeter	$32.59	$2,147,962	$1,414,224	$440,660	$973,564
South Kingstown	$18.71	$3,788,010	$3,045,006	$1,606,801	$1,438,205
Coventry	$18.75	$5,621,151	$3,702,653	$1,919,531	$1,783,122
North Smithfield	$35.00	$4,215,266	$2,716,925	$778,212	$1,938,713
Cumberland	$19.87	$5,819,819	$3,986,745	$1,991,328	$1,995,417
Burrillville	$35.00	$4,846,868	$2,901,384	$804,043	$2,097,342
North Kingstown	$22.04	$5,186,229	$4,350,051	$2,016,489	$2,333,562
West Warwick	$28.47	$5,435,315	$3,691,391	$1,235,909	$2,455,482
Westerly	$29.67	$5,545,514	$3,856,389	$1,267,196	$2,589,192
Barrington	$35.00	$5,673,241	$3,676,661	$1,081,729	$2,594,932
Woonsocket	$35.00	$8,946,910	$3,865,549	$966,501	$2,899,047
Lincoln	$30.66	$5,476,818	$4,420,134	$1,480,838	$2,939,296
Smithfield	$35.00	$6,831,002	$4,726,411	$1,387,468	$3,338,943
North Providence	$35.00	$9,225,507	$4,894,233	$1,305,814	$3,588,418

Town Name	FY 2020 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2020 DOR Estimated Motor Vehicle Excise Tax Amount (TY 2018 File)	FY 2020 LCD Motor Vehicle Excise Tax Amount (TY 2018 File)	Difference
Johnston	$35.00	$9,945,432	$5,639,409	$1,591,240	$4,048,169
Pawtucket	$35.00	$15,674,222	$6,323,685	$1,563,063	$4,760,622
East Providence	$37.10	$10,916,564	$6,578,197	$1,756,527	$4,821,670
Cranston	$35.00	$21,269,806	$11,394,970	$3,737,512	$7,657,458
Providence	$35.00	$32,511,132	$12,957,254	$3,324,705	$9,632,549
Warwick	$34.60	$24,232,542	$17,919,829	$5,177,418	$12,742,411
Municipal Total:		**$224,129,465**	**$173,031,441**	**$47,912,881**	**$86,169,694**

As is clear in in Table 11., the difference between the motor vehicle and trailer excise tax burden imposed by the state's 39 cities and towns under the current motor vehicle excise tax phaseout calculation methodology and the LCD motor vehicle excise tax calculation methodology falls to $86.2 million in projected FY 2020, a decrease a 29.5% from FY 2019. This result underscores the fact that the motor vehicle excise tax phaseout is designed to converge to a standardized motor vehicle excise tax calculation methodology upon its completion. By FY 2020, the number of municipalities that have motor vehicle and trailer excise tax burdens that are at least $1,000,000 more under current law than under the LCD motor vehicle excise tax calculation methodology has fallen to 18 and one town, New Shoreham actually has a lower motor vehicle and trailer excise tax burden that is less under current law than it is using the LCD motor vehicle and trailer excise tax calculation methodology. In addition, 21 cities and towns have total motor vehicle excise tax burdens of more than $1,000,000 with the LCD tax calculation methodology while 18 municipalities have total motor vehicle excise tax burdens of less than $1,000,000 using the LCD motor vehicle and trailer excise tax calculation methodology.[17]

Discussion of the Feasibility of Standardizing Rhode Island's Taxation of Motor Vehicles and Trailers

Rhode Island General Laws § 44-34.1-2(b)(6) states that "[F]or fiscal year 2020 and thereafter, the department of revenue shall assess the feasibility of standardizing the motor vehicle and trailer excise tax calculation methodology across all cities, towns, and fire departments. Based on this assessment, the department of revenue *may* make recommendations for changes to the motor vehicle and trailer excise tax calculation methodology" (emphasis added). This section of the report looks at the feasibility of standardizing Rhode Island's taxation of motor vehicles and trailers. It should be noted that, under current Rhode Island law, the excise taxation of motor vehicles and trailers will become standardized in local fiscal year 2024 when motor vehicles and trailers will no longer be subject to the motor vehicle and trailer excise tax.

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[17] For cities and towns with a total FY 2020 motor vehicle and trailer excise tax burden greater than $1,000,000 under the LCD motor vehicle excise tax calculation methodology, the range is $1,002,406 for Newport to $5,177,418 for Warwick. Similarly, for municipalities with a total FY 2020 motor vehicle and trailer excise tax burden less than $1,000,000 using the LCD motor vehicle excise tax calculation methodology, the range is $100,319 for New Shoreham to $991,767 for Middletown.

According to Merriam Webster's dictionary, the word feasible has three potential meanings: "(1) capable of being done or carried out; (2) capable of being used or dealt with successfully; and (3) reasonable, likely."[18] With regards to the first definition of feasibility, the Department of Revenue (DOR) believes that a state standardized motor vehicle and trailer excise tax calculation methodology can be carried out. The authorization for the taxation of motor vehicles and trailers by municipalities was granted by the General Assembly in R.I. Gen. Laws Chapter 44-34 and the current structure of the state's excise taxation of motor vehicles and trailers was enacted via 2019-H-5175 Article 11 as Amended and imposed on all cities, towns and fire districts in the state. It is clearly within the General Assembly's power to enact a statewide standardized motor vehicle and trailer excise tax calculation methodology.

The second definition of feasibility noted above is also one that the Department of Revenue estimates that the State can meet when it comes to a standardized, statewide excise tax calculation methodology for motor vehicles and trailers. As part of the implementation of the current phase-out of the excise tax on motor vehicles and trailers, cities, towns, and fire districts had to update their excise tax calculation methodology for motor vehicles and trailers. The Division of Motor Vehicles was able to secure Manufacturer's Suggested Retail Prices for a very high percentage of motor vehicles and trailers registered in the state. The acquisition of these MSRP values was critical to the production of this report. Alternatively, the state could use all of the currently available data without having to resort to acquiring MSRP values and standardize the motor vehicle and trailer excise tax calculation methodology in a manner similar to that demonstrated under the LCD approach to standardization. This indicates that the state can provide much of the information that cities and towns would need to successfully implement a standardized statewide excise tax calculation methodology for motor vehicles and trailers.

Finally, in assessing "the feasibility of standardizing the motor vehicle and trailer excise tax calculation methodology across all cities, towns, and fire departments" the third definition noted above addresses whether such a change is reasonable and/or likely. The answer to the question of whether it is reasonable for Rhode Island to adopt a standardized statewide excise tax calculation methodology for motor vehicles and trailers appears to be yes as this is the practice in three of the four New England states outside of Rhode Island that impose an excise tax on motor vehicles and trailers.[19] Adoption of a statewide standardized method for determining the excise tax amount of a motor vehicle or trailer would eliminate the horizontal inequity of the current tax policy. That is, under a standardized statewide motor vehicle and trailer excise tax calculation methodology, a vehicle of the same year, make, model, trim line, etc. would bear the same amount of motor vehicle and trailer excise tax regardless of where it is garaged. This would be in sharp contrast to Rhode Island's current motor vehicle and trailer excise tax policy, one in which horizontal inequity of the taxation of motor vehicles and trailers is common. Of course, under current Rhode Island law, the

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[18] https://www.merriam-webster.com/dictionary/feasible
[19] Connecticut's excise tax calculation methodology for motor vehicles and trailers is standardized with respect to the determination of the value of a motor vehicle or trailer but allows for variations in at least tax rates across the state's cities and towns. As is clear from the document, both Maine and Massachusetts employ a standardized motor vehicle and trailer excise tax calculation methodology on a statewide basis. New Hampshire's yearly local "registration" fee schedule was effectively a statewide standardized excise tax calculation methodology for motor vehicles and trailers. Vermont does not impose an excise tax on motor vehicles and trailers.

inequitable tax treatment of like motor vehicles and trailers is eliminated with the full phase-out of the motor vehicle and trailer excise tax.

As the results in the body of the report indicate, there are winners and losers from the implementation of a statewide standardized motor vehicle and trailer excise tax calculation methodology at any time prior to local fiscal year 2024. If a Maine based standardized excise tax calculation methodology were adopted, then 20 municipalities would impose higher or near equal motor vehicle and trailer excise taxes than are imposed under current law, while 19 municipalities would collect less in motor vehicle and excise taxes than they do under current law. Absent state intervention to offset (1) the higher motor vehicle and trailer excise taxes that would be paid by residents of these 20 municipalities and (2) the revenue shortfalls to the 19 cities and towns that would collect less in motor vehicle and trailer excise taxes, it is probably not likely that a statewide standardized motor vehicle and trailer excise tax calculation methodology could be implemented in Rhode Island. A similar argument could be made for a Massachusetts based standardized excise tax calculation methodology for motor vehicles and trailers.[20] For other conceivable standardized motor vehicle and trailer excise tax calculation methodologies similar tradeoffs exist.   For example, under the standardized LCD motor vehicle and trailer excise tax calculation methodology nearly all cities and towns would collect significantly less in motor vehicle excise taxes than under current law likely requiring the state to make them whole in order to implement such a motor vehicle excise tax calculation methodology.

As the motor vehicle and trailer excise tax phase-out progresses however, the number of municipalities that would collect less in motor vehicle excise taxes using a standardized statewide motor vehicle and trailer excise tax calculation methodology than under current law decreases. In the Maine comparison, the number of municipalities potentially negatively impacted decreases to 11 for FY 2022 and zero for FY 2023. That is, by following the parameters of the current motor vehicle and trailer excise tax phase-out, all municipalities would collect close to equal or higher motor vehicle and trailer excise taxes under the Maine tax calculation methodology than under current Rhode Island law. In this comparison then, in FY 2023 the second obstacle to adopting a statewide standardized motor vehicle and trailer excise tax calculation methodology would be overcome.   The drawback, of course, is that at that time the imposition of a Rhode Island standardized motor vehicle and trailer excise tax calculation methodology based on Maine's parameters would result in tax increases for a large number of motor vehicle and trailer owners, a prospect that could weigh heavily against the adoption of such a tax system. The same outcomes would hold true for a Massachusetts or an LCD based standardized motor vehicle and trailer excise tax calculation methodology although the timing of the impacts would be different.

Discussion of the Financial Impact of the Continuation of the Current Law Motor Vehicle and Trailer Excise Tax Phaseout

Rhode Island General Laws § 44-34.1-2(b)(6) also states that "[B]eginning on January 1, 2021, the director of the department of revenue shall file an annual report for the consideration of the

[20] Although the Department of Revenue did not execute an analysis of the impact on motor vehicle and trailer excise taxes under a New Hampshire based standardized motor vehicle and trailer excise tax calculation methodology, DOR thinks it unlikely that the general results realized using the Maine and Massachusetts based excise tax calculation methodologies would be much different.

general assembly with the president of the senate, speaker of the house, chairperson of the senate committee on finance and chairperson of the house committee on finance, containing recommendations and findings as to the feasibility of the motor vehicle excise tax phase-out in each year until the phase-out is complete." This section of the report considers the financial impact of continuing the motor vehicle and trailer excise tax phaseout under current law.

To assess the financial impact, DOR used the total general revenues forecast generated by the Office of Revenue Analysis for the FY 2022 – FY 2026. This forecast directly incorporates the general revenue estimates adopted for FY 2021 and FY 2022 at the November 2020 Revenue Estimating Conference. Forecasts were generated for each general revenue item and then aggregated to arrive at the forecast for total general revenues.[21] The forecasting methodologies employed to derive the estimate of individual revenue items varies considerably depending on the specific revenue item, ranging from holding an estimated revenue amount constant over time to complex statistical models that use autoregressive integrated moving average (ARIMA) processes with a number of explanatory variables. The forecast is based on current law and does not include any proposed changes to tax bases or rates or fees other than the assumption that the hospital licensing fee will be continued at the amount that was included in the FY 2020 preliminary audited budget.[22]

The table below shows the forecast of total general revenues for FY 2022 – FY 2026, the change in total general revenues fiscal year to fiscal year, DOR's projection of motor vehicle excise tax (MVET) phaseout reimbursement aid for FY 2022 – FY 2026 based on the local fiscal year 2020 motor vehicle excise tax files, the change in MVET phaseout reimbursement aid fiscal year to fiscal year, and the difference between the change in total general revenues and the change in MVET phaseout reimbursement aid for each fiscal year:

Table 12. Comparison of Projected Total General Revenues and Motor Vehicle Excise Tax Phaseout Reimbursement Aid, FY 2022 – FY 2026

All Figures in Millions	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Total General Revenues	$4,190.3	$4,309.8	$4,412.0	$4,500.4	$4,637.1
Change	*$101.6*	*$119.4*	*$102.3*	*$88.4*	*$136.6*
MVET Phaseout Reimbursement Aid	$129.6	$165.4	$224.6	$230.7	$237.7
Change	*$28.2*	*$35.8*	*$59.1*	*$6.0*	*$7.1*
Difference in the Change in Total General Revenues and the Change in MVET Reimbursement Aid	**$73.4**	**$83.6**	**$43.2**	**$82.4**	**$129.5**
MVET Phaseout Reimbursement Aid as a % of Total General Revenues	3.09%	3.84%	5.09%	5.13%	5.13%
Change in MVET Reimbursement Aid as a % of Total General Revenues	*0.67%*	*0.83%*	*1.34%*	*0.13%*	*0.15%*

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[21] There are 28 individual general revenue items that comprise total general revenues.
[22] The FY 2020 hospital licensing fee revenue was $193,849,765 and assumes a licensing fee rate of 6.0% on the hospital fiscal year 2018 net patient revenues. This fee amount was reduced by 25 percent in FY 2022 to reflect the impact of the COVID-19 pandemic on hospital net patient revenues as a result of the cancellation and/or postponement of elective surgical procedures. Hospital fiscal year net patient revenues typically impact the state's hospital licensing fees on a two-year lagged basis.

As is clear in the table above, the change in total general revenues fiscal year to fiscal year exceeds the change in MVET phaseout reimbursement fiscal year to fiscal year and thus the financial impact of the continuation of the current motor vehicle and trailer excise tax phaseout is to reduce the amount of additional general revenues available in each fiscal year that can be allocated for other purposes. Note that in no fiscal year does the change in MVET phaseout reimbursement aid exceed the change in total general revenues. Therefore, one could argue that, for each year of the MVET phaseout, enough resources are available to continue the program as it is currently configured.

As directed by statute, this study examines the feasibility of general revenues to cover the expense of the motor vehicle excise tax phaseout reimbursement aid, only from a general revenue perspective. DOR does not weigh the expense of motor vehicle excise tax reimbursement aid against other budgeted expenditures. This is beyond DOR's expertise and, as such, beyond the scope of this study. The revenues noted above, however, could be used for other budgeted expenditures in any given fiscal year. DOR defers to the Office of Management and Budget and the House and Senate Fiscal Offices as to the analysis of potential expenditure priorities.

It is important to note that the Department of Revenue's assessment of the fiscal impact of the continuation of the motor vehicle and trailer excise tax phaseout does not consider projected state budget deficits over the FY 2022 – FY 2026 period. At the time of publication of this report, the most recent publicly available projections of state budget deficits were those contained in Governor Raimondo's FY 2021 Budget Proposal which was submitted to the General Assembly for consideration on January 16, 2020.[23] In the FY 2021 Proposed Budget, based on the FY 2020 Deficit Forecast, projected budget deficits ranged from $79.8 million in FY 2021 to $277.3 million in FY 2024. The Governor's proposed budget reduced these projected budget deficits to a range of $32.3 million in FY 2022 to $153.9 million in FY 2025. Of course, these budget deficit forecasts were based on pre-pandemic revenue, expenditure, and economic projections.[24] The world is clearly a different place in January 2021 than it was in January 2020 and OMB's FY 2022 Deficit Forecast for FY 2022 – FY 2026 will likely be significantly different than the FY 2021 Deficit Forecast for the same fiscal years. It is fair to say that consideration of the projected budget deficits for the FY 2022 – FY 2026 period should be incorporated into any policy decision regarding the fiscal impact of the continuation of the motor vehicle and trailer excise tax phaseout.

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[23] See p. B-1 of the Executive Summary of Fiscal Year 2021 Budget Proposal which is available on the Rhode Island Office of Management and Budget's website at http://www.omb.ri.gov/budget/prioryear/operating/2021.php.

[24] The FY 2020 Deficit Forecast was based on the results of the November 2018 Caseload Estimating Conference (CEC), Revenue Estimating Conference (REC), and Consensus Economic Forecast (CEF)as well as the revenue and expenditure initiatives included in the Governor's FY 2020 Proposed Budget. The FY 2021 Deficit Forecast was predicated on the November 2019 CEC, REC, and CEF as well as the revenue and expenditure changes included in the Governor's FY 2021 Proposed Budget.

Appendix A

Table 13. contains a summary of the current motor vehicle and trailer excise tax calculation methodology for the City of Woonsocket and the Towns of Cumberland and Portsmouth. The table contains a sample calculation for a 2010 vehicle of the same make and model with a clean retail value of $12,000 owned for a full year and not eligible for any local exemptions for each of the three communities noted above. The table is meant to illustrate the calculation differences and excise tax outcomes between municipalities within the State for the same vehicle.

Table 13. Methodology and Sample Motor Vehicle Calculation for Woonsocket, Cumberland, and Portsmouth

Woonsocket	Cumberland	Portsmouth
Procedure:		
Vehicle Value × State Assessment Ratio ≡ A	Vehicle Value × State Assessment Ratio ≡ A	Vehicle Value × State Assessment Ratio ≡ A
A × (Days Owned ÷ Days in Year) ≡ B	A × (Days Owned ÷ Days in Year) ≡ B	A × (Days Owned ÷ Days in Year) ≡ B
Exemption Amount × (Days Owned ÷ Days in Year) ≡ C	Exemption Amount × (Days Owned ÷ Days in Year) ≡ C	Exemption Amount × (Days Owned ÷ Days in Year) ≡ C
B – C – Personal Exemptions (if applicable) ≡ D	B – C – Personal Exemptions (if applicable) ≡ D	B – C – Personal Exemptions (if applicable) ≡ D
D or Zero, if D ≤ 0 ≡ E	D or Zero, if D ≤ 0 ≡ E	D or Zero, if D ≤ 0 ≡ E
E × Tax Rate = Tax Amount	B × Aging Ratio (if applicable) ≡ F	B × Aging Ratio (if applicable) ≡ F
	Lesser of E or F ≡ G	Lesser of E or F ≡ G
	G × Tax Rate = Tax Amount	G × Tax Rate [× Local Assessment Ratio] = Tax Amount
Sample Calculation for Local FY 2019 (TY 2018):		
$12,000 × 90% = $10,800	$12,000 × 90% = $10,800	$12,000 × 90% = $10,800
$10,800 × (365/365) = $10,800	$10,800 × (365/365) = $10,800	$10,800 × (365/365) = $10,800
$2,000 × (365/365) = $2,000	$2,000 × (365/365) = $2,000	$2,000 × (365/365) = $2,000
$10,800 - $2,000 = $8,800	$10,800 - $2,000 = $8,800	$10,800 - $2,000 = $8,800
$8,800 × ($46.58/$1,000) = $409.90	$10,800 × 76% = $8,208	$10,800 × 76% = $8,208
	Min ($8,800, $8,208) = $8,208	Min ($8,800, $8,208) = $8,208
	$8,208 × ($19.87/$1,000) = $163.09	$8,208 × ($22.50/$1,000) × 70% = $129.28

Appendix B

Table 14. below is included to compare DOR's estimated FY 2020 tax levy for the matched vehicles and the municipal certified levies for that year. The FY 2020 certified motor vehicle and trailer excise tax levy includes all vehicles not just the DOR matched MSRP vehicles and is the actual tax levy for FY 2020 based on the tax year 2019 roll. The DOR estimated tax amount is only representative of the 90.66% of vehicles for which DOR was able to find an MSRP match and therefore able to perform the Maine and Massachusetts tax comparison calculations.

The Rhode Island FY 2020 tax amount listed is the DOR projected amount from the tax year 2018 file. A maximum tax rate of $35 per $1,000 of assessed value, a minimum exemption amount of $3,000 and an allowed assessed value of 85% of the NADA clean retail value was utilized on all 1,029,803 vehicle records with a matched MSRP. The FY 2020 certified levy is slightly different for each municipality for two main reasons. First, it includes all vehicles on a municipality's tax roll whereas the projected FY 2020 amount includes only those vehicles for which DOR had a matching MSRP value. Second, the FY 2020 certified levy utilizes the tax year 2019 tax roll which would account for any changes in the tax rolls' mix of motor vehicles and trailers (i.e., different model years of vehicles and differences in clean retail value of existing vehicles).

Table 14. Comparison of FY 2020 Rhode Island Motor Vehicle Excise Tax Certified Levies vs. DOR Estimated based on TY 2019 Matched Vehicles

Town Name	Tax Year 2019 Certified Levy 12-31-2018 file	Calculated FY 2020 (TY 2019) Tax Amount on 12-31-2017 file	Maine Methodology	Massachusetts Methodology
Barrington	$3,772,113	$3,676,661	$2,508,083	$2,260,766
Bristol	$2,064,626	$1,993,797	$2,998,081	$2,669,160
Burrillville	$3,073,612	$2,901,384	$2,185,320	$1,866,901
Central Falls	$1,000,964	$939,762	$1,103,541	$826,092
Charlestown	$713,523	$676,713	$1,277,418	$1,117,718
Coventry	$3,868,526	$3,702,653	$5,030,336	$4,418,516
Cranston	$12,222,522	$11,394,970	$10,307,243	$9,167,845
Cumberland	$4,225,052	$3,986,745	$5,002,002	$4,470,927
East Greenwich	$1,892,518	$1,782,093	$2,454,033	$2,270,175
East Providence	$8,857,045	$6,578,197	$5,413,925	$4,624,490
Exeter	$1,533,287	$1,414,224	$1,060,537	$940,986
Foster	$1,053,424	$980,335	$713,038	$607,319
Glocester	$1,609,477	$1,534,316	$1,593,125	$1,376,819
Hopkinton	$1,063,257	$1,010,610	$1,225,170	$1,038,445
Jamestown	$508,005	$473,140	$1,060,496	$945,170
Johnston	$6,101,051	$5,639,409	$4,450,554	$3,989,455
Lincoln	$4,616,158	$4,420,134	$3,538,038	$3,189,998
Little Compton	$292,437	$274,560	$659,833	$572,272
Middletown	$1,612,994	$1,569,089	$2,465,416	$2,263,947
Narragansett	$1,369,674	$1,292,579	$2,597,733	$2,393,802
New Shoreham	$101,450	$97,711	$327,526	$275,669
Newport	$1,769,044	$1,690,413	$2,573,877	$2,275,208
North Kingstown	$4,589,659	$4,350,051	$4,852,951	$4,467,514

Town Name	Tax Year 2019 Certified Levy 12-31-2018 file	Calculated FY 2020 (TY 2019) Tax Amount on 12-31-2017 file	Maine Methodology	Massachusetts Methodology
North Providence	$5,010,237	$4,894,233	$3,887,452	$3,433,297
North Smithfield	$2,778,655	$2,716,925	$1,869,847	$1,663,356
Pawtucket	$7,158,827	$6,323,685	$5,872,428	$4,741,231
Portsmouth	$1,852,949	$1,775,326	$2,715,841	$2,413,992
Providence	$13,595,752	$12,957,254	$12,292,267	$10,087,924
Richmond	$977,018	$894,254	$1,188,091	$1,029,460
Scituate	$1,631,438	$1,518,960	$1,820,188	$1,619,003
Smithfield	$5,107,774	$4,726,411	$3,313,450	$3,027,395
South Kingstown	$3,157,922	$3,045,006	$3,935,797	$3,513,300
Tiverton	$1,338,517	$1,292,214	$2,415,586	$2,107,589
Warren	$1,395,299	$1,322,499	$1,350,652	$1,154,984
Warwick	$19,001,468	$17,919,829	$14,311,488	$13,396,398
West Greenwich	$949,619	$903,103	$1,157,602	$1,042,945
West Warwick	$3,855,742	$3,691,391	$4,607,540	$4,365,278
Westerly	$4,036,588	$3,856,389	$3,346,681	$2,927,584
Woonsocket	$4,033,843	$3,865,549	$3,490,221	$2,852,567
Municipal Total:	**$143,792,066**	**$134,082,575**	**$132,973,406**	**$117,405,497**

Appendix C

Finally, Table 15. displays the aid received by municipalities since the motor vehicle and trailer excise tax phase-out program began in fiscal year 2018. It shows the actual amount of motor vehicle and trailer excise tax phase-out aid received by community for FY 2018 - 2020 and the current forecasted aid amounts for fiscal years 2021, 2022, 2023 and 2024.

Table 15. Actual and Projected State Motor Vehicle and Trailer Excise Tax Phase-Out Reimbursement Aid Received by Municipalities, FY 2018 – FY 2024

Town Name	Actual Aid Amounts			Forecasted Current Law Aid Values			
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Barrington	$421,609	$654,552	$1,901,128	$2,428,578	$3,313,958	$4,367,019	$5,673,241
Bristol	$308,596	$451,693	$731,756	$1,056,332	$1,346,421	$1,614,825	$2,796,382
Burrillville	$552,658	$919,758	$1,773,256	$2,254,055	$2,999,810	$3,847,571	$4,846,868
Central Falls	$322,550	$400,386	$974,826	$1,187,137	$1,454,561	$1,712,565	$1,975,790
Charlestown	$121,257	$198,744	$262,539	$369,892	$468,949	$561,651	$976,062
Coventry	$696,676	$1,261,782	$1,752,626	$2,359,346	$2,906,832	$3,415,496	$5,621,151
Cranston	$2,420,745	$4,873,529	$9,047,284	$10,835,116	$13,702,662	$17,090,537	$21,269,806
Cumberland	$690,135	$1,181,380	$1,594,767	$2,229,329	$2,814,134	$3,360,883	$5,819,819
East Greenwich	$201,532	$351,953	$454,412	$570,689	$676,459	$983,090	$2,333,221
East Providence*	$0	$1,489,222	$2,059,519	$3,836,480	$5,002,833	$6,757,250	$10,916,564
Exeter	$275,229	$471,116	$614,675	$831,030	$1,120,623	$1,579,531	$2,147,962
Foster	$265,408	$365,452	$524,653	$684,190	$937,892	$1,230,698	$1,578,077
Glocester	$294,707	$479,433	$667,754	$910,559	$1,134,810	$1,512,226	$2,277,231
Hopkinton	$240,438	$368,018	$493,618	$660,389	$812,825	$987,580	$1,556,875
Jamestown	$49,855	$82,111	$92,454	$124,708	$153,798	$184,629	$600,459
Johnston	$1,355,456	$2,172,842	$3,844,381	$4,753,501	$6,209,657	$7,900,190	$9,945,432
Lincoln	$442,068	$703,845	$860,660	$1,501,993	$2,169,160	$3,638,297	$5,476,818
Little Compton	$33,175	$53,463	$60,874	$79,975	$97,258	$115,623	$353,311
Middletown	$152,887	$221,836	$287,307	$518,159	$733,807	$938,512	$1,900,301
Narragansett	$141,407	$242,013	$275,968	$365,364	$445,657	$530,699	$1,645,641
New Shoreham	$24,148	$45,196	$57,134	$71,472	$84,934	$97,985	$156,388
Newport	$182,670	$301,792	$373,985	$490,948	$597,040	$920,433	$2,143,029
North Kingstown	$443,350	$539,103	$596,570	$1,247,939	$1,837,060	$2,649,353	$5,186,229
North Providence	$1,198,474	$2,269,104	$4,215,271	$5,073,189	$6,314,741	$7,676,571	$9,225,507
North Smithfield	$451,435	$782,624	$1,436,612	$1,850,409	$2,515,510	$3,287,076	$4,215,266
Pawtucket	$2,251,092	$4,329,899	$8,363,994	$9,790,996	$11,525,821	$13,306,788	$15,674,222

Motor Vehicle Excise Tax Calculation Methodology Standardization Report

Town Name	Actual Aid Amounts			Forecasted Current Law Aid Values			
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Portsmouth	$207,500	$266,445	$466,647	*$734,561*	*$983,304*	*$1,340,638*	*$2,319,596*
Providence	$4,314,405	$10,041,466	$18,882,905	*$21,393,887*	*$24,807,449*	*$28,422,486*	*$32,511,132*
Richmond	$181,864	$300,199	$404,727	*$550,973*	*$685,247*	*$877,345*	*$1,381,745*
Scituate	$165,905	$214,633	$274,421	*$380,862*	*$486,948*	*$1,028,012*	*$1,905,858*
Smithfield	$586,099	$707,094	$1,723,228	*$2,430,005*	*$3,619,983*	*$5,043,884*	*$6,831,002*
South Kingstown	$341,383	$511,156	$630,089	*$1,110,812*	*$1,543,583*	*$1,945,813*	*$3,788,010*
Tiverton	$154,261	$241,745	$309,379	*$400,530*	*$482,732*	*$569,745*	*$1,647,896*
Warren	$279,856	$448,562	$601,264	*$821,723*	*$1,022,123*	*$1,387,866*	*$1,996,562*
Warwick	$2,080,135	$3,249,466	$5,231,074	*$8,031,733*	*$12,412,928*	*$17,755,179*	*$24,232,542*
West Greenwich	$153,710	$227,025	$326,110	*$461,263*	*$587,117*	*$706,717*	*$1,275,729*
West Warwick	$539,265	$1,107,180	$1,579,573	*$2,212,863*	*$2,782,901*	*$3,938,779*	*$5,435,314*
Westerly	$632,364	$995,209	$1,508,925	*$2,141,183*	*$2,706,021*	*$3,983,372*	*$5,545,514*
Woonsocket	$1,337,252	$2,690,768	$4,913,067	*$5,678,229*	*$6,706,046*	*$7,780,497*	*$8,946,910*
Municipal Total:	**$ 24,511,559**	**$ 46,211,793**	**$ 80,169,431**	*$ 102,430,397*	*$ 130,203,593*	*$ 165,047,407*	*$ 224,129,465*

* Due to the timing of the local fiscal year, the first year of the phase-out for East Providence occurred during the state fiscal year 2019.