

STATE OF RHODE ISLAND

Governor Daniel J. McKee

STATE OF RHODE ISLAND



DEPARTMENT OF REVENUE

**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**

March 28, 2021

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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.

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 at the request of the Director of Revenue, Guillermo L. Tello. 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., former Chief of the Office of Revenue Analysis and Madiha Zaffou, Ph.D., Acting Chief of the Office of Revenue Analysis. Bethany was supported in her work by Jill Barrette, State Aid and Finance Specialist, of the Division of Municipal Finance as supervised by Steve Coleman, Chief of the Division of Municipal Finance. Madiha Zaffou provided the forecasts upon which projected state general revenues were derived. These forecasts incorporated directly the revised FY 2022 revenue estimates and the adopted FY 2023 revenue estimates that were produced at the November 2021 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 Nicole Barnett, Assistant Director for Special Projects of the Division of Information Technology.

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 2027 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.
 - 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.
 - 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.
 - 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 the states of 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 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 enacted 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 in use in Rhode Island.
- Due to the differing motor vehicle and trailer excise tax calculation methodologies that exist between cities and towns, a total of 28 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 2021.
 - 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 on page 19 for the breakdown by municipality.)
- When Massachusetts’ statewide standardized motor vehicle and trailer excise tax calculation methodology is used, a total of 23 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 2021 motor vehicle and trailer excise tax rolls.
 - 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 on page 21 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 5 on page 23 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 2022. (See Table 6 on page 24 for the breakdown by municipality.)

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- For the Lowest Common Denominator (LCD) standardization scenario, DOR found that in FY 2021 under the current motor vehicle and trailer excise tax phaseout, cities and towns in the state received \$77.4 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 2022, the results were \$53.9 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 10. for the calculations of the state financial impact.)
 - The total motor vehicle excise tax phaseout reimbursement aid over the FY 2023 – FY 2027 period is projected to range from 3.29% to 4.71% of total general revenues.
 - 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 0.15% and 1.34% depending on the fiscal year.
 - 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.
 - Consideration of the projected budget deficits for the FY 2023 – FY 2027 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 2021, this equated to model year 2005 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.

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- 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 the greater of 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 11. 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 methodology² for motor vehicles and trailers or a local

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

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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 11. in Appendix A., a motor vehicle with the exact same value at the state level generates different municipal tax burdens depending on the municipality in which the vehicle is garaged. For a sample calculation involving a 2012 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 2021 motor vehicle excise tax amounts for Woonsocket, Cumberland, and Portsmouth would be:

Woonsocket	Cumberland	Portsmouth
\$196.00	\$111.27	\$88.20

In Woonsocket, the higher tax bill is due to the higher municipal tax rate of \$35.00 per \$1,000 of valuation that Woonsocket applies to motor vehicles and trailers. In Cumberland, the tax bill of \$111.27 is due to its low motor vehicle excise tax rate of \$19.87 per \$1,000 of valuation. Although Cumberland offers the use of an aging schedule in its tax calculation methodology, in this case it was not utilized since the taxes calculated using the state exemption amount was lower than applying the aging ratio. 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.

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.

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.

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 value⁵ (typically National Automobile Dealers Association (NADA) clean retail value where available), based on local tax rates by municipality ranging from \$11.00 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 2018 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 × \$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 2019 model year motor vehicle registered in 2019 (the current year of model) and a 2020 model year motor vehicle registered in 2019 (the first year of model) would both be subject to the excise tax at the first-year rate of 24

⁵ 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 2018 model year motor vehicle registered for the first time in 2019, the second-year rate applies because the motor vehicle is not the first or current year of model.⁶

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 2018 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.”⁷

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 tax 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.

⁶ Maine Revenue Services Property Tax Bulletin Number 13 released December 9, 2019.

<https://www1.maine.gov/revenue/forms/property/pubs/bull13.pdf>

⁷ Massachusetts Department of Revenue Motor Vehicle Excise Guide last updated May 6, 2020.

<https://www.mass.gov/guides/motor-vehicle-excise>

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For a sample tax calculation, consider a 2018 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 2018 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 12/31/2019 corresponding to local tax year 2020 and local fiscal year 2021. There are two exceptions to this date criteria, East Providence and the Saylesville Fire District, both of which were in their local 2020 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 2020.

DOR was able to obtain an MSRP match for 90.94% 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 96.91% in Central Falls to the lowest match percent of 79.17% in Little Compton. Statewide, the total motor vehicle and trailer excise tax amount for local FY 2021 tax bills for the subset of matched vehicles was \$118.95 million. This subset of vehicles represents 96.74% of the sum of certified tax levies across the state for that tax year, which was \$122.95 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 2020 bills calculated under the current law phase-out methodology in Rhode Island. North Providence had the highest municipal tax levy that was matched at 99.09% while Exeter had the lowest tax levy matched at 92.26%.

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

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by Maine and Massachusetts, as described above, for all the vehicles with a matched MSRP⁸. 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. As of November 1, 2021, Lincoln has 4 fire districts: Lime Rock, Lincoln, Manville and Quinville. The Fire Districts' tax rates range from \$1.40 per \$1,000 of assessed value in the Quinville fire district up to \$1.80 per \$1,000 of assessed value in the Lincoln 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 has situs. 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 10 most popular motor vehicles registered in Rhode Island in tax year 2020⁹. The last vehicle listed was included because it is also a relatively popular vehicle (top 20) 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 2020. 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

⁸ 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)

⁹ Statewide, in tax year 2018 there were 3,235 registered 2018 Toyota Rav4s, 2,665 registered 2010 Toyota Corollas, 2,301 registered 2012 Toyota Camrys, 2,162 registered 2017 Nissan Rogues and 1,771 registered 2018 Ford F150s.

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make, model, and year were averaged to arrive at the values displayed. The one exception to this is the amounts listed for the 2018 Ford F150. 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 \$40,000 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 2021 (TY 2020) Average Tax Amount	Providence FY 2022 (TY 2021) Estimated Tax Amount on 12-31-2019 file (DOR Calculation)	Average Tax Using Maine Methodology	Average Tax Using Massachusetts Methodology
Toyota Rav4 2018	290	\$27,117	\$406.38	\$300.03	\$329.94	\$366.60
Toyota Corolla 2010	339	\$15,499	\$27.56	\$0.32 ^	\$50.41	\$31.53
Toyota Camry 2012	322	\$22,873	\$97.00	\$50.11	\$75.73	\$47.34
Nissan Rogue 2017	120	\$25,009	\$223.06	\$153.97	\$200.73	\$200.73
Ford F150 2018*	53	\$40,073	\$579.85	\$443.52	\$484.96	\$538.85

^ Amount displayed is average tax amount for all 339 vehicles registered in Providence. Of the 339, 330 are estimated to have a tax bill of \$0.
 *In Providence for tax year 2020 there were 60 vehicles that matched this make, model and year, however only 53 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 in TY 2020. 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 2021, municipalities could charge a maximum motor vehicle excise tax rate of \$35 per \$1,000 of assessed value with a minimum exemption amount of \$4,000 and an assessed value set at 80% percent of the NADA clean retail value allowed. For FY 2022, municipalities could charge a maximum motor vehicle excise tax rate of \$30 per \$1,000 of assessed value with a minimum exemption amount of \$4,000 and an assessed value of 75% percent of the NADA clean retail value allowed. In FY 2021, 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 NADA retail vehicle value for 2018 Toyota Rav4s registered in Providence for tax year 2020 was \$21,617. For FY 2021 this amount was multiplied by the state assessment ratio of 80%

$$\$21,617 \times 0.80 = \$17,294.$$

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This value was then prorated by days of ownership. Similarly, the state exemption amount which for FY 2021 in Providence was \$4,000 is prorated by days of ownership. In this sample calculation we'll assume the car was owned for a full year.

$$\$17,294 \times \left(\frac{365}{365}\right) = \$17,294,$$

$$\$4,000 \times \left(\frac{365}{365}\right) = \$4,000.$$

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 \$13,294 for a vehicle that was registered for a full year

$$\$17,294 - \$4,000 = \$13,294.$$

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 \$35 per \$1,000 assessed value to arrive at a tax amount of \$465.29

$$(\$13,294 \div \$1,000) \times \$35 = \$465.29.$$

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. For tax year 2020, Providence tax amounts for 2018 Toyota Rav4s registered in the city ranged from a minimum of \$10.00 to a maximum of \$664.32 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 2022 motor vehicle excise tax amounts utilizing the FY 2022 tax rate and exemption amounts for Providence described above. It should be noted that the FY 2022 forecasted tax amounts depict the calculated excise taxes for the specific vehicles listed and do not consider local billing practices. For example, Providence employs the billing practice that the minimum amount an account will be charged will be \$10. Due to this practice, actual tax bills mailed to taxpayers may differ.

The average MSRP for the entire subset of 2018 Toyota Rav4s garaged in Providence was \$27,117. The average is shown because there are multiple MSRPs due to the different trim levels offered by the manufacturer. A 2018 vehicle has an age of 3 for the 2020 tax year. In the Maine calculation, the MSRP was divided by \$1,000 and multiplied by a tax rate of \$13.50 to arrive at \$366.08 as the full year tax amount

$$(\$27,117 \div \$1,000) \times \$13.50 = \$366.08.$$

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 60% since a 2018 vehicle is in its second year since manufacture in tax year 2020. This value was then multiplied by the tax rate of \$25 to arrive at a full year tax amount of \$406.76

$$(\$27,117 \div \$1,000) \times 0.60 \times \$25 = \$406.76.$$

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

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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 2018 Toyota Rav4s subset of vehicles, the lowest matched statewide MSRP in the data set was \$24,410 while the highest matched MSRP was \$34,030 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 2018 Toyota Rav4s subset, the average number of days owned was 330, 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 2020. 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 2021 (TY 2020) Average Tax Amount	Johnston FY 2022 (TY 2021) Estimated Tax Amount on 12-31-2019 file (DOR Calculation)	Average Tax Using Maine Methodology	Average Tax Using Massachusetts Methodology
Toyota Rav4 2018	99	\$27,142	\$434.64	\$321.02	\$348.08	\$386.75
Toyota Corolla 2010	71	\$15,351	\$27.66	\$0	\$52.25	\$37.71
Toyota Camry 2012	56	\$22,756	\$93.41	\$48.04	\$73.91	\$46.20
Nissan Rogue 2017	83	\$25,054	\$198.36	\$136.61	\$182.94	\$182.94
Ford F150 2018*	58	\$40,427	\$637.04	\$487.46	\$497.10	\$552.34

*In Johnston for tax year 2020 there were 63 vehicles that matched this make, model and year, however 58 of them were registered for 100 days or more and considered for this analysis.

In Johnston, the FY 2021 tax rate was \$35 per \$1,000 of assessed value with an exemption amount of \$4,000. In FY 2022 the Johnston tax rate was \$30 per \$1,000 of assessed value and an exemption amount of \$5,000. Johnston is also one of municipalities that utilizes an aging schedule.

The average NADA retail value of all 2010 Toyota Corollas registered in Johnston for tax year 2020 was \$6,197. For FY 2021 this amount was multiplied by the state assessment ratio of 80%

$$\$6,197 \times 0.80 = \$4,957.$$

This value was then prorated by days of ownership. Similarly, the state exemption amount, which for FY 2021 in Johnston was \$4,000, was prorated by days of ownership. In this sample calculation we'll assume the car was owned for a full year

$$\$4,957 \times \left(\frac{365}{365}\right) = \$4,957,$$

$$\$4,000 \times \left(\frac{365}{365}\right) = \$4,000.$$

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 \$957 for a vehicle that was registered for a full year

$$\$4,957 - \$4,000 = \$957$$

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 01,¹⁰ which the 2010 Toyota Corolla is, a second value was calculated using the aging methodology and this value was compared to the prorated days owned taxable vehicle value of \$957. The lower of these two values was then used to calculate taxes owed. The prorated vehicle value reduced by the state assessment ratio of \$4,957 was multiplied by the vehicle's aging ratio based on the vehicle's year. For FY 2021, a 2010 vehicle's aging ratio in Johnston was 59%

$$\$4,957 \times 0.59 = \$2,925.$$

The vehicle's aged value of \$2,925 is compared to the vehicle's prorated days owned taxable value of \$957 and the lower value is used to calculate taxes owed

$$\text{Min}(\$2,925, \$957) = \$957.$$

The resulting minimum value was then multiplied by the tax rate of \$35.00 per \$1,000 assessed value to arrive at a tax amount of \$33.50

$$(\$957 \div \$1,000) \times \$35.00 = \$33.50$$

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.

Beginning in FY 2020, both Providence and Johnston were subject to the same maximum tax rate as well as the same exemption amount, significantly reducing the tax differences for the same vehicles registered in the two municipalities. In the years displayed on the above tables, both municipalities were subject to a \$35 maximum tax rate as well as a \$4,000 exemption in FY 2021 and a \$30 maximum tax rate and a \$5,000 exemption in FY 2022. This practically eliminates any differences in tax bills dependent upon where the vehicle was garaged now that the state is in the 4th year of the motor vehicle phase-out. Most of the displayed tax amount differences above, are generally from differences in days owned and locally offered exemptions. However, even though these two communities tax calculations produce similar results, there are still large tax rate differences across the rest of the state. While Providence and Johnston are subject to a tax rate of \$30 per \$1,000 of assessed value, New Shoreham has a tax rate of \$9.75 per \$1,000 of assessed value and Charlestown has a tax 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

¹⁰ Vehicle type 01 describes a private passenger vehicle with or without a vanity plate.

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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 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 90.94% 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 2021 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 \$17.8 million less in FY 2021 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 2021 Rhode Island excise tax amount and the FY 2021 Maine methodology excise tax amount.

Table 3. Comparison of FY 2021 Motor Vehicle Excise Taxes Collected by Municipality: Rhode Island vs. Maine Motor Vehicle Excise Tax Calculation Methodologies

Town Name	FY 2021 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2021 Rhode Island Motor Vehicle Excise Tax Amount	FY 2021 Maine Motor Vehicle Excise Tax Amount	Difference
Coventry	\$18.75	\$5,621,151	\$3,204,879	\$5,158,043	(\$1,953,164)
Cumberland	\$19.87	\$5,819,819	\$3,479,947	\$5,180,167	(\$1,700,220)
Providence	\$35.00	\$32,511,132	\$11,121,490	\$12,671,525	(\$1,550,035)
West Warwick	\$28.47	\$5,435,315	\$3,187,929	\$4,702,919	(\$1,514,989)
Narragansett	\$16.46	\$1,645,641	\$1,220,127	\$2,649,258	(\$1,429,131)
South Kingstown	\$18.71	\$3,788,010	\$2,604,837	\$3,977,512	(\$1,372,675)
Bristol	\$17.35	\$2,796,382	\$1,705,926	\$3,036,854	(\$1,330,928)
Portsmouth	\$22.50	\$2,319,596	\$1,543,717	\$2,764,166	(\$1,220,449)
Tiverton	\$19.41	\$1,647,896	\$1,219,801	\$2,432,711	(\$1,212,910)

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Town Name	FY 2021 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2021 Rhode Island Motor Vehicle Excise Tax Amount	FY 2021 Maine Motor Vehicle Excise Tax Amount	Difference
Middletown	\$16.05	\$1,900,301	\$1,367,769	\$2,543,236	(\$1,175,468)
North Kingstown	\$22.04	\$5,186,229	\$3,845,256	\$4,952,068	(\$1,106,812)
Newport	\$23.45	\$2,143,029	\$1,583,087	\$2,566,745	(\$983,657)
East Greenwich	\$22.88	\$2,333,221	\$1,525,653	\$2,426,854	(\$901,201)
Charlestown	\$13.08	\$976,062	\$596,505	\$1,304,795	(\$708,290)
Pawtucket	\$35.00	\$15,674,222	\$5,433,130	\$6,110,235	(\$677,105)
Jamestown	\$14.42	\$600,459	\$453,029	\$1,080,804	(\$627,775)
Cranston	\$35.00	\$21,269,806	\$10,200,682	\$10,768,941	(\$568,259)
Richmond	\$22.64	\$1,381,745	\$771,531	\$1,215,136	(\$443,605)
Little Compton	\$13.90	\$353,311	\$262,904	\$663,751	(\$400,847)
West Greenwich	\$19.02	\$1,275,729	\$780,243	\$1,171,390	(\$391,147)
Scituate	\$30.20	\$1,905,858	\$1,427,786	\$1,809,180	(\$381,395)
Hopkinton	\$21.18	\$1,556,875	\$859,417	\$1,221,056	(\$361,640)
Central Falls	\$35.00	\$1,975,790	\$816,954	\$1,126,626	(\$309,671)
Glocester	\$24.37	\$2,277,231	\$1,353,368	\$1,634,843	(\$281,475)
Woonsocket	\$35.00	\$8,946,910	\$3,274,048	\$3,554,645	(\$280,597)
Warren	\$26.00	\$1,996,562	\$1,150,248	\$1,399,505	(\$249,257)
New Shoreham	\$9.75	\$156,388	\$80,516	\$279,170	(\$198,654)
Westerly	\$29.67	\$5,545,514	\$3,325,781	\$3,431,647	(\$105,866)
Foster	\$35.00	\$1,578,077	\$848,727	\$713,822	\$134,905
Exeter	\$32.59	\$2,147,962	\$1,263,159	\$1,100,288	\$162,871
North Providence	\$35.00	\$9,225,507	\$4,159,874	\$3,995,868	\$164,006
Lincoln	\$30.66	\$5,476,818	\$3,786,706	\$3,524,346	\$262,360
Burrillville	\$35.00	\$4,846,868	\$2,504,874	\$2,204,705	\$300,169
North Smithfield	\$35.00	\$4,215,266	\$2,314,454	\$1,938,011	\$376,442
Johnston	\$35.00	\$9,945,432	\$5,186,869	\$4,711,884	\$474,985
Barrington	\$35.00	\$5,673,241	\$3,181,232	\$2,587,722	\$593,510
Smithfield	\$35.00	\$6,831,002	\$4,219,397	\$3,381,075	\$838,322
Warwick	\$34.60	\$24,232,542	\$16,165,528	\$15,276,301	\$889,227
East Providence	\$35.00	\$10,916,564	\$6,920,082	\$5,457,917	\$1,462,165
Municipal Total:		\$224,129,465	\$118,947,461	\$136,725,721	(\$17,778,260)

One interesting thing to note in Table 3. is that even though overall Rhode Island municipalities imposed a lesser 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 imposed a smaller motor vehicle and trailer excise tax burden using the current Rhode Island non-standardized motor vehicle and trailer excise tax calculation methodology. In fact, 28 municipalities received 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 \$105,866 in Westerly to \$2.0 million in Coventry. Conversely, for 11 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

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Maine, the amount varies from a low of \$134,905 in Foster to \$1.5 million in East Providence in local fiscal year 2021¹¹.

Table 4. displays the actual FY 2021 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 \$1.9 million less in FY 2021 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 2021 Motor Vehicle Excise Taxes Collected by Municipality: Rhode Island vs. Massachusetts Motor Vehicle Excise Tax Calculation Methodologies

Town Name	FY 2021 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2021 Rhode Island Motor Vehicle Excise Tax Amount	FY 2021 Massachusetts Motor Vehicle Excise Tax Amount	Difference
Coventry	\$18.75	\$5,621,151	\$3,204,879	\$4,525,389	(\$1,320,509)
Narragansett	\$16.46	\$1,645,641	\$1,220,127	\$2,433,667	(\$1,213,540)
West Warwick	\$28.47	\$5,435,315	\$3,187,929	\$4,393,488	(\$1,205,558)
Cumberland	\$19.87	\$5,819,819	\$3,479,947	\$4,626,147	(\$1,146,200)
Bristol	\$17.35	\$2,796,382	\$1,705,926	\$2,705,756	(\$999,830)
Middletown	\$16.05	\$1,900,301	\$1,367,769	\$2,361,521	(\$993,753)
South Kingstown	\$18.71	\$3,788,010	\$2,604,837	\$3,534,383	(\$929,546)
Portsmouth	\$22.50	\$2,319,596	\$1,543,717	\$2,433,879	(\$890,162)
Tiverton	\$19.41	\$1,647,896	\$1,219,801	\$2,092,197	(\$872,396)
East Greenwich	\$22.88	\$2,333,221	\$1,525,653	\$2,229,956	(\$704,303)
North Kingstown	\$22.04	\$5,186,229	\$3,845,256	\$4,537,518	(\$692,262)
Newport	\$23.45	\$2,143,029	\$1,583,087	\$2,265,553	(\$682,465)
Charlestown	\$13.08	\$976,062	\$596,505	\$1,137,137	(\$540,632)
Jamestown	\$14.42	\$600,459	\$453,029	\$973,713	(\$520,684)
Little Compton	\$13.90	\$353,311	\$262,904	\$573,946	(\$311,042)
Richmond	\$22.64	\$1,381,745	\$771,531	\$1,052,874	(\$281,343)
West Greenwich	\$19.02	\$1,275,729	\$780,243	\$1,044,708	(\$264,464)
Hopkinton	\$21.18	\$1,556,875	\$859,417	\$1,035,435	(\$176,019)
Scituate	\$30.20	\$1,905,858	\$1,427,786	\$1,599,592	(\$171,806)
New Shoreham	\$9.75	\$156,388	\$80,516	\$224,746	(\$144,230)
Glocester	\$24.37	\$2,277,231	\$1,353,368	\$1,420,536	(\$67,168)
Warren	\$26.00	\$1,996,562	\$1,150,248	\$1,202,026	(\$51,778)
Central Falls	\$35.00	\$1,975,790	\$816,954	\$850,095	(\$33,141)
Foster	\$35.00	\$1,578,077	\$848,727	\$605,373	\$243,355
Exeter	\$32.59	\$2,147,962	\$1,263,159	\$970,499	\$292,660
Westerly	\$29.67	\$5,545,514	\$3,325,781	\$3,014,744	\$311,037

¹¹ It is important to note that due to timing, East Providence’s local fiscal year is a year behind the state’s fiscal year. In FY 2021 East Providence was subject to an 85% assessment ratio, \$3,000 maximum exemption amount and a maximum tax rate of \$35.

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Town Name	FY 2021 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2021 Rhode Island Motor Vehicle Excise Tax Amount	FY 2021 Massachusetts Motor Vehicle Excise Tax Amount	Difference
Woonsocket	\$35.00	\$8,946,910	\$3,274,048	\$2,935,610	\$338,438
Pawtucket	\$35.00	\$15,674,222	\$5,433,130	\$4,978,506	\$454,624
Cranston	\$35.00	\$21,269,806	\$10,200,682	\$9,612,054	\$588,628
North Smithfield	\$35.00	\$4,215,266	\$2,314,454	\$1,714,187	\$600,266
North Providence	\$35.00	\$9,225,507	\$4,159,874	\$3,529,295	\$630,578
Lincoln	\$30.66	\$5,476,818	\$3,786,706	\$3,155,216	\$631,490
Burrillville	\$35.00	\$4,846,868	\$2,504,874	\$1,871,301	\$633,573
Providence	\$35.00	\$32,511,132	\$11,121,490	\$10,464,807	\$656,683
Barrington	\$35.00	\$5,673,241	\$3,181,232	\$2,319,349	\$861,883
Johnston	\$35.00	\$9,945,432	\$5,186,869	\$4,248,394	\$938,475
Smithfield	\$35.00	\$6,831,002	\$4,219,397	\$3,063,517	\$1,155,880
Warwick	\$34.60	\$24,232,542	\$16,165,528	\$14,478,357	\$1,687,171
East Providence	\$35.00	\$10,916,564	\$6,920,082	\$4,671,880	\$2,248,203
Municipal Total:		\$224,129,465	\$118,947,461	\$120,887,350	(\$1,939,890)

Table 4. shows that even though overall Rhode Island municipalities imposed a lesser 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 imposed a smaller 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 received 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 \$33,141 in Central Falls to \$1.3 million in Coventry. Conversely, the increased burden in 16 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 \$243,355 in Foster to \$2.2 million in East Providence in local fiscal year 2021.

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 2022 under current Rhode Island law. The FY 2022 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 \$30 per \$1,000 of assessed value, a minimum exemption amount of \$5,000 and an allowed assessed value of 75% of the NADA clean retail value was utilized on all 1,024,240 vehicle records with a matched MSRP. The calculations were performed on the motor vehicles and trailers registered and taxed for tax year 2020.

In practice, the actual motor vehicle and trailer excise tax revenues received by municipalities in FY 2022 will be based on the tax year 2021 motor vehicle tax rolls.¹² Thus, the estimate of FY

¹² Table 12. found in Appendix B. of this report compares DOR’s estimated FY 2022 tax levies to the certified levies of FY 2022.

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2022 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 2020 and tax year 2021. Tables 5. and 6. also include the FY 2018 baseline levy and the municipal tax rate for FY 2022.

As can be seen in Table 5., DOR is estimating that, in total, in FY 2022 municipalities collected \$48.9 million less 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.

Table 5. Comparison of FY 2022 Motor Vehicle Excise Taxes Collected by Municipality: Rhode Island vs. Maine Motor Vehicle Excise Tax Calculation Methodologies

Town Name	FY 2022 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2022 DOR Estimated Motor Vehicle Excise Tax Amount (TY 2020 File)	Maine Motor Vehicle Excise Tax Amount (TY 2020 File)	Difference
Providence	\$30.00	\$32,511,132	\$7,523,285	\$12,671,525	(\$5,148,240)
Warwick	\$30.00	\$24,232,542	\$11,550,105	\$15,276,301	(\$3,726,196)
Cranston	\$30.00	\$21,269,806	\$7,227,592	\$10,768,941	(\$3,541,349)
Coventry	\$18.75	\$5,621,151	\$2,610,863	\$5,158,043	(\$2,547,180)
Pawtucket	\$30.00	\$15,674,222	\$3,614,338	\$6,110,235	(\$2,495,897)
Cumberland	\$19.87	\$5,819,819	\$2,850,043	\$5,180,167	(\$2,330,125)
West Warwick	\$28.47	\$5,435,315	\$2,562,996	\$4,702,919	(\$2,139,923)
South Kingstown	\$18.71	\$3,788,010	\$2,135,621	\$3,977,512	(\$1,841,891)
North Kingstown	\$22.04	\$5,186,229	\$3,185,164	\$4,952,068	(\$1,766,905)
Bristol	\$17.35	\$2,796,382	\$1,394,727	\$3,036,854	(\$1,642,127)
East Providence	\$35.00	\$10,916,564	\$3,824,508	\$5,457,917	(\$1,633,409)
Narragansett	\$16.46	\$1,645,641	\$1,121,167	\$2,649,258	(\$1,528,091)
Portsmouth	\$22.50	\$2,319,596	\$1,274,350	\$2,764,166	(\$1,489,816)
Middletown	\$16.05	\$1,900,301	\$1,132,523	\$2,543,236	(\$1,410,714)
Woonsocket	\$30.00	\$8,946,910	\$2,191,639	\$3,554,645	(\$1,363,006)
Tiverton	\$19.41	\$1,647,896	\$1,117,060	\$2,432,711	(\$1,315,651)
North Providence	\$30.00	\$9,225,507	\$2,851,667	\$3,995,868	(\$1,144,201)
Newport	\$23.45	\$2,143,029	\$1,451,609	\$2,566,745	(\$1,115,136)
Johnston	\$30.00	\$9,945,432	\$3,659,942	\$4,711,884	(\$1,051,942)
East Greenwich	\$22.88	\$2,333,221	\$1,459,742	\$2,426,854	(\$967,112)
Charlestown	\$13.08	\$976,062	\$489,527	\$1,304,795	(\$815,268)
Westerly	\$29.67	\$5,545,514	\$2,709,130	\$3,431,647	(\$722,517)
Jamestown	\$14.42	\$600,459	\$417,457	\$1,080,804	(\$663,347)
Central Falls	\$30.00	\$1,975,790	\$527,503	\$1,126,626	(\$599,123)
Richmond	\$22.64	\$1,381,745	\$631,509	\$1,215,136	(\$583,627)
West Greenwich	\$19.02	\$1,275,729	\$645,870	\$1,171,390	(\$525,520)
Glocester	\$24.37	\$2,277,231	\$1,110,816	\$1,634,843	(\$524,027)
Hopkinton	\$21.18	\$1,556,875	\$698,093	\$1,221,056	(\$522,964)
Scituate	\$30.00	\$1,905,858	\$1,302,590	\$1,809,180	(\$506,591)
Warren	\$26.00	\$1,996,562	\$931,313	\$1,399,505	(\$468,192)
Burrillville	\$30.00	\$4,846,868	\$1,745,567	\$2,204,705	(\$459,138)
Lincoln	\$30.00	\$5,476,818	\$3,079,011	\$3,524,346	(\$445,335)

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Town Name	FY 2022 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2022 DOR Estimated Motor Vehicle Excise Tax Amount (TY 2020 File)	Maine Motor Vehicle Excise Tax Amount (TY 2020 File)	Difference
Little Compton	\$13.90	\$353,311	\$241,516	\$663,751	(\$422,235)
Smithfield	\$30.00	\$6,831,002	\$3,014,648	\$3,381,075	(\$366,426)
Barrington	\$30.00	\$5,673,241	\$2,263,425	\$2,587,722	(\$324,297)
North Smithfield	\$30.00	\$4,215,266	\$1,627,904	\$1,938,011	(\$310,107)
New Shoreham	\$9.75	\$156,388	\$66,132	\$279,170	(\$213,038)
Exeter	\$30.00	\$2,147,962	\$965,399	\$1,100,288	(\$134,889)
Foster	\$30.00	\$1,578,077	\$594,348	\$713,822	(\$119,474)
Municipal Total:		\$224,129,465	\$87,800,698	\$136,725,721	(\$48,925,023)

One interesting thing to note in Table 5. is that in the 5th year of the MV phase-out all Rhode Island municipalities are estimated to impose a lower FY 2022 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. In the previous report published which estimated FY 2020 and the 3rd year of the MV phase-out, 23 municipalities were estimated to 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 methodology¹³. The savings estimated to Rhode Island taxpayers for FY 2022 range from \$119,474 in Foster to \$5.1 million in Providence.

As can be seen in Table 6., DOR is estimating that in total, municipalities collected \$33.1 million less under the current Rhode Island motor vehicle excise tax compared to the Massachusetts method of motor vehicle taxation in FY 2022 for the same cohort of vehicles.

Table 6. Comparison of FY 2022 Motor Vehicle Excise Taxes Collected by Municipality: Rhode Island vs. Massachusetts Motor Vehicle Excise Tax Calculation Methodologies

Town Name	FY 2022 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2022 DOR Estimated Motor Vehicle Excise Tax Amount (TY 2020 File)	Massachusetts Motor Vehicle Excise Tax Amount	Difference
Providence	\$30.00	\$32,511,132	\$7,523,285	\$10,464,807	(\$2,941,521)
Warwick	\$30.00	\$24,232,542	\$11,550,105	\$14,478,357	(\$2,928,252)
Cranston	\$30.00	\$21,269,806	\$7,227,592	\$9,612,054	(\$2,384,462)
Coventry	\$18.75	\$5,621,151	\$2,610,863	\$4,525,389	(\$1,914,526)
West Warwick	\$28.47	\$5,435,315	\$2,562,996	\$4,393,488	(\$1,830,492)
Cumberland	\$19.87	\$5,819,819	\$2,850,043	\$4,626,147	(\$1,776,104)
South Kingstown	\$18.71	\$3,788,010	\$2,135,621	\$3,534,383	(\$1,398,762)
Pawtucket	\$30.00	\$15,674,222	\$3,614,338	\$4,978,506	(\$1,364,168)

¹³ The previous Motor Vehicle Excise Tax Report can be accessed at <https://dor.ri.gov/revenue-analysis/reports> under the “Special Reports” header.

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Town Name	FY 2022 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2022 DOR Estimated Motor Vehicle Excise Tax Amount (TY 2020 File)	Massachusetts Motor Vehicle Excise Tax Amount	Difference
North Kingstown	\$22.04	\$5,186,229	\$3,185,164	\$4,537,518	(\$1,352,355)
Narragansett	\$16.46	\$1,645,641	\$1,121,167	\$2,433,667	(\$1,312,501)
Bristol	\$17.35	\$2,796,382	\$1,394,727	\$2,705,756	(\$1,311,029)
Middletown	\$16.05	\$1,900,301	\$1,132,523	\$2,361,521	(\$1,228,998)
Portsmouth	\$22.50	\$2,319,596	\$1,274,350	\$2,433,879	(\$1,159,529)
Tiverton	\$19.41	\$1,647,896	\$1,117,060	\$2,092,197	(\$975,137)
East Providence	\$35.00	\$10,916,564	\$3,824,508	\$4,671,880	(\$847,372)
Newport	\$23.45	\$2,143,029	\$1,451,609	\$2,265,553	(\$813,944)
East Greenwich	\$22.88	\$2,333,221	\$1,459,742	\$2,229,956	(\$770,214)
Woonsocket	\$30.00	\$8,946,910	\$2,191,639	\$2,935,610	(\$743,971)
North Providence	\$30.00	\$9,225,507	\$2,851,667	\$3,529,295	(\$677,628)
Charlestown	\$13.08	\$976,062	\$489,527	\$1,137,137	(\$647,610)
Johnston	\$30.00	\$9,945,432	\$3,659,942	\$4,248,394	(\$588,452)
Jamestown	\$14.42	\$600,459	\$417,457	\$973,713	(\$556,256)
Richmond	\$22.64	\$1,381,745	\$631,509	\$1,052,874	(\$421,364)
West Greenwich	\$19.02	\$1,275,729	\$645,870	\$1,044,708	(\$398,838)
Hopkinton	\$21.18	\$1,556,875	\$698,093	\$1,035,435	(\$337,343)
Little Compton	\$13.90	\$353,311	\$241,516	\$573,946	(\$332,430)
Central Falls	\$30.00	\$1,975,790	\$527,503	\$850,095	(\$322,593)
Glocester	\$24.37	\$2,277,231	\$1,110,816	\$1,420,536	(\$309,720)
Westerly	\$29.67	\$5,545,514	\$2,709,130	\$3,014,744	(\$305,614)
Scituate	\$30.00	\$1,905,858	\$1,302,590	\$1,599,592	(\$297,002)
Warren	\$26.00	\$1,996,562	\$931,313	\$1,202,026	(\$270,713)
New Shoreham	\$9.75	\$156,388	\$66,132	\$224,746	(\$158,614)
Burrillville	\$30.00	\$4,846,868	\$1,745,567	\$1,871,301	(\$125,734)
North Smithfield	\$30.00	\$4,215,266	\$1,627,904	\$1,714,187	(\$86,283)
Lincoln	\$30.00	\$5,476,818	\$3,079,011	\$3,155,216	(\$76,205)
Barrington	\$30.00	\$5,673,241	\$2,263,425	\$2,319,349	(\$55,924)
Smithfield	\$30.00	\$6,831,002	\$3,014,648	\$3,063,517	(\$48,868)
Foster	\$30.00	\$1,578,077	\$594,348	\$605,373	(\$11,024)
Exeter	\$30.00	\$2,147,962	\$965,399	\$970,499	(\$5,100)
Municipal Total:		\$224,129,465	\$87,800,698	\$120,887,350	(\$33,086,652)

Table 6. shows that in the 5th year of the MV phase-out all Rhode Island municipalities are estimated to impose a lower FY 2022 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. This is an increase from the previous report published which estimated FY 2020 and the 3rd year of the MV phase-out, where 20 municipalities were estimated to receive 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 range from \$5,100 in Exeter to \$2.9 million in Providence.

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

As can be seen in tables 5. and 6. above, all municipalities under the current Rhode Island motor vehicle and trailer excise tax phase-out schedule have estimated tax levies that 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 obtained for the tax year 2020 tax roll. This is due to Rhode Island municipalities being subject to the 5th year of the motor vehicle phase-out schedule. This is a large jump in the comparison of taxes collected when looking at local fiscal year 2021 and tables 3. and 4. above. In these tables, one can see that 11 municipalities had an increased tax burden from the use of the Rhode Island motor vehicle and trailer excise tax calculation methodology rather than that of the Maine amount. The equivalent Massachusetts statistic is estimated to be 16 municipalities for local year 2021.

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. Vermont in particular does not impose an annual motor vehicle excise tax. In contrast, the state has a unique school aid program. The education property tax is collected by the state and redistributed to school districts. The education property tax rates for FY 2022 range from \$1.0116 to \$2.1422 per \$100 of property value¹⁴. Vermont also provides state education aid on top of the education property tax collections and has the largest dedicated road grant program in New England¹⁵.

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 NADA 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 New Shoreham.

In FY 2021, New Shoreham's motor vehicle excise tax rate was \$9.75 per \$1,000 of assessed value and New Shoreham's motor vehicle exemption amount was \$4,000. The state assessment ratio in FY 2021 was 80% of the NADA clean retail value of a motor vehicle as determined by the Rhode

¹⁴ <https://tax.vermont.gov/property/education-property-tax-rates/faqs>

¹⁵ State Aid to Cities and Towns in New England, Rhode Island League of Cities and Towns, January 14, 2020
<https://www.rileague.org/DocumentCenter/View/1190/The-Report10>

Island Vehicle Value Commission¹⁶. In addition, New Shoreham 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 2021:

Table 7. New Shoreham’s FY 2021 Motor Vehicle and Trailer Aging Schedule

Vehicle Age	Model Year	Aging Ratio
1	2020	100%
2	2019	100%
3	2018	100%
4	2017	100%
5	2016	100%
6	2015	95%
7	2014	88%
8	2013	81%
9	2012	76%
10	2011	67%
11	2010	59%
12	2009	53%
13	2008	47%
14	2007	36%
15	2006	37%

New Shoreham’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 New Shoreham’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 8. displays the actual FY 2021 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 applied instead for that year. As can be seen in the table, DOR is estimating that in total, municipalities collected \$77.4 million more in FY 2021 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 2021 Rhode Island excise tax amount and the FY 2021 LCD methodology excise tax amount.

¹⁶ See R. I. Gen. Laws § 44-34-11.

**Table 8. Comparison of FY 2021 Motor Vehicle Excise Taxes Collected by Municipality:
Rhode Island vs. LCD Motor Vehicle Excise Tax Calculation Methodologies**

Town Name	FY 2021 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2021 RI Motor Vehicle Excise Tax Amount	FY 2021 LCD Motor Vehicle Excise Tax Amount	Difference
New Shoreham	\$9.75	\$156,388	\$80,516	\$80,516	\$0
Little Compton	\$13.90	\$353,311	\$262,904	\$230,161	\$32,742
Jamestown	\$14.42	\$600,459	\$453,029	\$375,619	\$77,410
Charlestown	\$13.08	\$976,062	\$596,505	\$444,990	\$151,514
Narragansett	\$16.46	\$1,645,641	\$1,220,127	\$895,304	\$324,823
Richmond	\$22.64	\$1,381,745	\$771,531	\$415,510	\$356,021
West Greenwich	\$19.02	\$1,275,729	\$780,243	\$399,986	\$380,257
Tiverton	\$19.41	\$1,647,896	\$1,219,801	\$789,744	\$430,057
Hopkinton	\$21.18	\$1,556,875	\$859,417	\$395,743	\$463,673
Middletown	\$16.05	\$1,900,301	\$1,367,769	\$831,242	\$536,527
Portsmouth	\$22.50	\$2,319,596	\$1,543,717	\$955,696	\$588,021
Central Falls	\$30.00	\$1,975,790	\$816,954	\$227,643	\$589,311
Foster	\$30.00	\$1,578,077	\$848,727	\$236,455	\$612,272
East Greenwich	\$22.88	\$2,333,221	\$1,525,653	\$815,823	\$709,830
Warren	\$26.00	\$1,996,562	\$1,150,248	\$431,474	\$718,774
Newport	\$23.45	\$2,143,029	\$1,583,087	\$832,345	\$750,742
Bristol	\$17.35	\$2,796,382	\$1,705,926	\$955,090	\$750,836
Glocester	\$24.37	\$2,277,231	\$1,353,368	\$541,575	\$811,793
Scituate	\$30.00	\$1,905,858	\$1,427,786	\$608,027	\$819,758
Exeter	\$30.00	\$2,147,962	\$1,263,159	\$377,909	\$885,250
South Kingstown	\$18.71	\$3,788,010	\$2,604,837	\$1,352,590	\$1,252,247
Coventry	\$18.75	\$5,621,151	\$3,204,879	\$1,664,628	\$1,540,251
North Smithfield	\$30.00	\$4,215,266	\$2,314,454	\$644,859	\$1,669,594
Cumberland	\$19.87	\$5,819,819	\$3,479,947	\$1,708,283	\$1,771,664
Burrillville	\$30.00	\$4,846,868	\$2,504,874	\$697,900	\$1,806,973
West Warwick	\$28.47	\$5,435,315	\$3,187,929	\$1,092,070	\$2,095,860
North Kingstown	\$22.04	\$5,186,229	\$3,845,256	\$1,688,424	\$2,156,832
Westerly	\$29.67	\$5,545,514	\$3,325,781	\$1,088,906	\$2,236,875
Barrington	\$30.00	\$5,673,241	\$3,181,232	\$886,215	\$2,295,017
Woonsocket	\$30.00	\$8,946,910	\$3,274,048	\$909,002	\$2,365,047
Lincoln	\$30.00	\$5,476,818	\$3,786,706	\$1,204,340	\$2,582,366
North Providence	\$30.00	\$9,225,507	\$4,159,874	\$1,154,981	\$3,004,893
Smithfield	\$30.00	\$6,831,002	\$4,219,397	\$1,175,644	\$3,043,753
Johnston	\$30.00	\$9,945,432	\$5,186,869	\$1,445,098	\$3,741,771
Pawtucket	\$30.00	\$15,674,222	\$5,433,130	\$1,521,030	\$3,912,100
East Providence	\$35.00	\$10,916,564	\$6,920,082	\$1,561,432	\$5,358,651
Cranston	\$30.00	\$21,269,806	\$10,200,682	\$3,291,880	\$6,908,802
Providence	\$30.00	\$32,511,132	\$11,121,490	\$3,085,832	\$8,035,657
Warwick	\$30.00	\$24,232,542	\$16,165,528	\$4,564,361	\$11,601,167
Municipal Total:		\$224,129,465	\$118,947,461	\$41,578,329	\$77,369,132

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One interesting thing to note in Table 8. is that 19 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, Little Compton 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, 15 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 \$1,088,906 in Westerly to \$4,564,361 in Warwick. The remaining 24 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 \$80,559 and the highest at \$955,696 in Portsmouth.

Table 9. 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 2022 under current Rhode Island law. The FY 2022 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 \$30 per \$1,000 of assessed value, a minimum exemption amount of \$5,000 and an allowed assessed value of 75% of the NADA clean retail value was utilized. The calculations were performed on the motor vehicles and trailers registered and taxed for tax year 2020. 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.¹⁷

In practice, the actual motor vehicle and trailer excise tax revenues received by municipalities in FY 2022 will be based on the tax year 2021 motor vehicle tax rolls.¹⁸ Thus, the estimate of FY 2022 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 2020 and tax year 2021. Table 9. also includes the FY 2018 baseline levy and the municipal tax rate for FY 2022.

As can be seen in Table 9., DOR is estimating that, in total, in FY 2022 municipalities will collect \$53.9 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.

¹⁷ Based on the state mandated vs. the LCD motor vehicle excise tax parameters, the changes to the LCD motor vehicle excise tax parameters was the reduction in the state assessment ratio from 80% to 75% and increasing the exemption amount from \$4,000 to \$5,000. In addition, the LCD aging schedule was advanced one year so that the first model year listed was 2021 and passenger cars with model years of 2006 and earlier were not subject to the motor vehicle excise tax.

¹⁸ Table 12. found in Appendix B. of this report compares DOR's estimated FY 2022 tax levies to the certified levies of FY 2022.

**Table 9. Comparison of FY 2022 Motor Vehicle Excise Taxes Collected by Municipality:
Rhode Island vs. LCD Motor Vehicle Excise Tax Calculation Methodologies**

Town Name	FY 2022 Municipal Tax Rate	FY 2018 Baseline Levy	FY 2022 DOR Estimated Motor Vehicle Excise Tax Amount (TY 2020 File)	FY 2022 LCD Motor Vehicle Excise Tax Amount (TY 2020 File)	Difference
New Shoreham	\$9.75	\$156,388	\$66,132	\$66,132	\$0
Little Compton	\$13.90	\$353,311	\$241,516	\$190,968	\$50,547
Jamestown	\$14.42	\$600,459	\$417,457	\$314,979	\$102,478
Charlestown	\$13.08	\$976,062	\$489,527	\$365,223	\$124,303
Richmond	\$22.64	\$1,381,745	\$631,509	\$340,141	\$291,369
West Greenwich	\$19.02	\$1,275,729	\$645,870	\$331,085	\$314,785
Central Falls	\$30.00	\$1,975,790	\$527,503	\$171,572	\$355,931
Narragansett	\$16.46	\$1,645,641	\$1,121,167	\$745,045	\$376,122
Hopkinton	\$21.18	\$1,556,875	\$698,093	\$321,361	\$376,732
Foster	\$30.00	\$1,578,077	\$594,348	\$193,212	\$401,136
Middletown	\$16.05	\$1,900,301	\$1,132,523	\$687,983	\$444,540
Tiverton	\$19.41	\$1,647,896	\$1,117,060	\$646,638	\$470,422
Portsmouth	\$22.50	\$2,319,596	\$1,274,350	\$788,885	\$485,465
Warren	\$26.00	\$1,996,562	\$931,313	\$349,372	\$581,941
Bristol	\$17.35	\$2,796,382	\$1,394,727	\$782,325	\$612,402
Exeter	\$30.00	\$2,147,962	\$965,399	\$313,755	\$651,644
Glocester	\$24.37	\$2,277,231	\$1,110,816	\$444,580	\$666,236
Newport	\$23.45	\$2,143,029	\$1,451,609	\$684,706	\$766,903
East Greenwich	\$22.88	\$2,333,221	\$1,459,742	\$688,372	\$771,370
Scituate	\$30.00	\$1,905,858	\$1,302,590	\$502,954	\$799,636
South Kingstown	\$18.71	\$3,788,010	\$2,135,621	\$1,111,002	\$1,024,620
North Smithfield	\$30.00	\$4,215,266	\$1,627,904	\$529,048	\$1,098,856
Burrillville	\$30.00	\$4,846,868	\$1,745,567	\$567,438	\$1,178,129
Coventry	\$18.75	\$5,621,151	\$2,610,863	\$1,357,264	\$1,253,599
Cumberland	\$19.87	\$5,819,819	\$2,850,043	\$1,399,148	\$1,450,895
Woonsocket	\$30.00	\$8,946,910	\$2,191,639	\$711,597	\$1,480,043
Barrington	\$30.00	\$5,673,241	\$2,263,425	\$735,712	\$1,527,713
West Warwick	\$28.47	\$5,435,315	\$2,562,996	\$878,098	\$1,684,898
North Kingstown	\$22.04	\$5,186,229	\$3,185,164	\$1,406,300	\$1,778,863
Westerly	\$29.67	\$5,545,514	\$2,709,130	\$888,795	\$1,820,335
North Providence	\$30.00	\$9,225,507	\$2,851,667	\$925,768	\$1,925,899
Smithfield	\$30.00	\$6,831,002	\$3,014,648	\$980,030	\$2,034,618
Lincoln	\$30.00	\$5,476,818	\$3,079,011	\$1,000,881	\$2,078,130
Pawtucket	\$30.00	\$15,674,222	\$3,614,338	\$1,176,943	\$2,437,395
Johnston	\$30.00	\$9,945,432	\$3,659,942	\$1,189,764	\$2,470,178
East Providence	\$35.00	\$10,916,564	\$3,824,508	\$1,244,181	\$2,580,327
Cranston	\$30.00	\$21,269,806	\$7,227,592	\$2,686,320	\$4,541,272
Providence	\$30.00	\$32,511,132	\$7,523,285	\$2,435,515	\$5,087,770
Warwick	\$30.00	\$24,232,542	\$11,550,105	\$3,757,068	\$7,793,037
Municipal Total:		\$224,129,465	\$87,800,698	\$33,910,159	\$53,890,540

As is clear in in Table 9., 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 \$53.9 million in projected FY 2022, a decrease a 30.4% from FY 2021. 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. In FY 2022, 11 cities and towns have total motor vehicle excise tax burdens of more than \$1,000,000 with the LCD tax calculation methodology while 28 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. For cities and towns with a total FY 2022 motor vehicle and trailer excise tax burden greater than \$1,000,000 under the LCD motor vehicle excise tax calculation methodology, the range is \$1,000,881 for Lincoln to \$3,757,068 for Warwick. Similarly, for municipalities with a total FY 2022 motor vehicle and trailer excise tax burden less than \$1,000,000 using the LCD motor vehicle excise tax calculation methodology, the range is \$66,132 for New Shoreham to \$980,030 for Smithfield.

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.

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.”¹⁹ 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

¹⁹ <https://www.merriam-webster.com/dictionary/feasible>

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.²⁰ 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 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. In looking at local fiscal year 2021, if the Maine based standardized excise tax calculation methodology was previously adopted, then 28 municipalities would have imposed higher or near equal motor vehicle and trailer excise taxes than were imposed under current law, while 11 municipalities would have collected less in motor vehicle and excise taxes than they did 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 28 municipalities and (2) the revenue shortfalls to the 11 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.²¹ For other conceivable standardized motor vehicle

²⁰ 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.

²¹ 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

and trailer excise tax calculation methodologies similar tradeoffs exist. For example, under the standardized LCD motor vehicle and trailer excise tax calculation methodology 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 is estimated to decrease to zero for FY 2022. 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 2022 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 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 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 2023 – FY 2027. This forecast directly incorporates the general revenue estimates adopted for FY 2022 and FY 2023 at the November 2021 Revenue Estimating Conference. Forecasts were generated for each general revenue item and then aggregated to arrive at the forecast for total general revenues.²² 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

thinks it unlikely that the general results realized using the Maine and Massachusetts based excise tax calculation methodologies would be much different.

²² There are 28 individual general revenue items that comprise total general revenues.

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 2021 preliminary audited budget.²³

The table below shows the forecast of total general revenues for FY 2023 – FY 2027, 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 2023 – FY 2027 based on the local fiscal year 2021 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 10. Comparison of Projected Total General Revenues and Motor Vehicle Excise Tax Phaseout Reimbursement Aid, FY 2023 – FY 2027

All Figures in Millions	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Total General Revenues	\$4,753.4	\$4,865.7	\$4,990.6	\$5,120.2	\$5,232.0
<i>Change</i>	<i>\$69.1</i>	<i>\$112.2</i>	<i>\$124.9</i>	<i>\$129.5</i>	<i>\$111.9</i>
MVET Phaseout Reimbursement Aid	\$156.6	\$222.0	\$229.3	\$237.2	\$246.6
<i>Change</i>	<i>\$40.1</i>	<i>\$65.4</i>	<i>\$7.3</i>	<i>\$8.0</i>	<i>\$9.4</i>
Difference in the Change in Total General Revenues and the Change in MVET Reimbursement Aid	\$29.1	\$46.9	\$117.7	\$121.6	\$102.5
MVET Phaseout Reimbursement Aid as a % of Total General Revenues	3.29%	4.56%	4.59%	4.63%	4.71%
<i>Change in MVET Reimbursement Aid as a % of Total General Revenues</i>	<i>0.84%</i>	<i>1.34%</i>	<i>0.15%</i>	<i>0.16%</i>	<i>0.18%</i>

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

²³ The FY 2021 hospital licensing fee revenue was \$162,469,099 and assumes a licensing fee rate of 5.0% on the hospital fiscal year 2019 net patient revenues. The FY 2022 licensing fee rate was changed to 5.725% on the hospital fiscal year 2020 net patient revenues. Hospital fiscal year net patient revenues typically impact the state’s hospital licensing fees on a two-year lagged basis.

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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 2023 – FY 2027 period. At the time of publication of this report, the most recent publicly available projections of state budget deficits were those contained in Governor McKee's FY 2023 Budget Proposal which was submitted to the General Assembly for consideration on January 20, 2022.²⁴ In the FY 2023 Proposed Budget, based on the FY 2023 Deficit Forecast, projected a surplus of \$8.0 million in FY 2023. In FY 2024 through FY 2027, expenditures will exceed revenues in each of the out-years projected through FY 2027, ranging from \$215.3 million in FY 2024 to \$181.6 million in FY 2027. It is fair to say that consideration of the projected budget deficits for the FY 2023 – FY 2027 period should be incorporated into any policy decision regarding the fiscal impact of the continuation of the motor vehicle and trailer excise tax phaseout.

²⁴ See p. B-1 of the Executive Summary of Fiscal Year 2023 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/2023.php>.

Appendix A

Table 11. 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 2012 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 11. Methodology and Sample Motor Vehicle Calculation for Woonsocket, Cumberland, and Portsmouth

Woonsocket	Cumberland	Portsmouth
Procedure:		
Vehicle Value \times State Assessment Ratio \equiv A	Vehicle Value \times State Assessment Ratio \equiv A	Vehicle Value \times State Assessment Ratio \equiv A
A \times (Days Owned \div Days in Year) \equiv B	A \times (Days Owned \div Days in Year) \equiv B	A \times (Days Owned \div Days in Year) \equiv B
Exemption Amount \times (Days Owned \div Days in Year) \equiv C	Exemption Amount \times (Days Owned \div Days in Year) \equiv C	Exemption Amount \times (Days Owned \div Days in Year) \equiv C
B – C – Personal Exemptions (if applicable) \equiv D	B – C – Personal Exemptions (if applicable) \equiv D	B – C – Personal Exemptions (if applicable) \equiv D
D or Zero, if D \leq 0 \equiv E	D or Zero, if D \leq 0 \equiv E	D or Zero, if D \leq 0 \equiv E
E \times Tax Rate = Tax Amount	B \times Aging Ratio (if applicable) \equiv F Lesser of E or F \equiv G G \times Tax Rate = Tax Amount	B \times Aging Ratio (if applicable) \equiv F Lesser of E or F \equiv G G \times Tax Rate [\times Local Assessment Ratio] = Tax Amount
Sample Calculation for Local FY 2021 (TY 2020):		
$\$12,000 \times 80\% = \$9,600$	$\$12,000 \times 80\% = \$9,600$	$\$12,000 \times 80\% = \$9,600$
$\$9,600 \times (365/365) = \$9,600$	$\$9,600 \times (365/365) = \$9,600$	$\$9,600 \times (365/365) = \$9,600$
$\$4,000 \times (365/365) = \$4,000$	$\$4,000 \times (365/365) = \$4,000$	$\$4,000 \times (365/365) = \$4,000$
$\$9,600 - \$4,000 = \$5,600$	$\$9,600 - \$4,000 = \$5,600$	$\$9,600 - \$4,000 = \$5,600$
$\$5,600 \times (\$35.00/\$1,000) = \196.00	$\$9,600 \times 76\% = \$7,296$	$\$9,600 \times 76\% = \$7,296$
	Min ($\$5,600, \$7,296$) = $\$5,600$	Min ($\$5,600, \$7,296$) = $\$5,600$
	$\$5,600 \times (\$19.87/\$1,000) = \111.27	$\$5,600 \times (\$22.50/\$1,000) \times 70\% = \88.20

Appendix B

Table 12. below is included to compare DOR’s estimated FY 2022 tax levy for the matched vehicles and the municipal certified levies for that year. The FY 2022 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 2022 based on the tax year 2020 roll. The DOR estimated tax amount is only representative of the 90.94% 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 2022 tax amount listed is the DOR projected amount from the tax year 2020 file. A maximum tax rate of \$30 per \$1,000 of assessed value, a minimum exemption amount of \$5,000 and an allowed assessed value of 75% of the NADA clean retail value was utilized on all 1,024,240 vehicle records with a matched MSRP. The FY 2022 certified levy is different for each municipality for two main reasons. First, it includes all vehicles on a municipality’s tax roll whereas the projected FY 2022 amount includes only those vehicles for which DOR had a matching MSRP value. Second, the FY 2022 certified levy utilizes the tax year 2020 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). Under normal market conditions, the observed difference between projections using a prior tax year file and the subsequent certified tax levies would not be as stark as shown in the table below. In fact, in the previous report comparing estimated tax year 2019 tax amounts versus the certified tax year 2019 tax levies, the total statewide tax difference was \$9.7 million. The onset of the covid-19 pandemic, however, has significantly impacted the auto market and made future estimations more difficult. Over the summer of 2020, J.D. Power estimated that used car prices increased 10% for the U.S. used car market. This phenomenon has continued, as J.D. Power is estimating that average used car prices increased for the 2021 calendar year between 22% to 30%. Increased vehicle values will generally increase the total taxes that municipalities will collect, even under the same tax calculation methodology. New vehicles purchased will have higher values, as well as having taxes owed calculated off of higher valued vehicles than the prior year. Some of this increase will be constrained by the MV phase-out’s hold harmless provision which says that in no event shall a taxpayer be billed more than the prior year for a vehicle owned up to the same number of days unless an increased bill is the result of no longer being eligible for a local tax exemption. The result of the increased vehicle values can be seen in the \$19.9 million difference between the estimated versus actual tax year 2021 tax amounts. Although some of the difference can be attributed to the 90.94% match rate for which DOR was able to obtain MSRPs compared to the entire subset of vehicles, one can conjecture that the increase in vehicle values also worked to increase tax levies year over year.

Table 12. Comparison of FY 2022 Rhode Island Motor Vehicle Excise Tax Certified Levies vs. DOR Estimated based on TY 2020 Matched Vehicles

Town Name	Tax Year 2021 Certified Levy 12-31-2020 file	Calculated FY 2022 (TY 2021) Tax Amount on 12-31-2019 file	Maine Methodology	Massachusetts Methodology
Barrington	\$2,617,376	\$2,263,425	\$2,587,722	\$2,319,349
Bristol	\$1,590,404	\$1,394,727	\$3,036,854	\$2,705,756
Burrillville	\$2,172,854	\$1,745,567	\$2,204,705	\$1,871,301

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Town Name	Tax Year 2021 Certified Levy 12-31-2020 file	Calculated FY 2022 (TY 2021) Tax Amount on 12-31-2019 file	Maine Methodology	Massachusetts Methodology
Central Falls	\$658,127	\$527,503	\$1,126,626	\$850,095
Charlestown	\$611,166	\$489,527	\$1,304,795	\$1,137,137
Coventry	\$3,204,895	\$2,610,863	\$5,158,043	\$4,525,389
Cranston	\$8,799,357	\$7,227,592	\$10,768,941	\$9,612,054
Cumberland	\$3,432,140	\$2,850,043	\$5,180,167	\$4,626,147
East Greenwich	\$1,843,317	\$1,459,742	\$2,426,854	\$2,229,956
East Providence	\$6,816,698	\$3,824,508	\$5,457,917	\$4,671,880
Exeter	\$1,210,210	\$965,399	\$1,100,288	\$970,499
Foster	\$735,331	\$594,348	\$713,822	\$605,373
Glocester	\$1,336,378	\$1,110,816	\$1,634,843	\$1,420,536
Hopkinton	\$866,813	\$698,093	\$1,221,056	\$1,035,435
Jamestown	\$500,910	\$417,457	\$1,080,804	\$973,713
Johnston	\$4,420,417	\$3,659,942	\$4,711,884	\$4,248,394
Lincoln	\$3,648,669	\$3,079,011	\$3,524,346	\$3,155,216
Little Compton	\$284,780	\$241,516	\$663,751	\$573,946
Middletown	\$1,277,791	\$1,132,523	\$2,543,236	\$2,361,521
Narragansett	\$1,264,928	\$1,121,167	\$2,649,258	\$2,433,667
New Shoreham	\$80,599	\$66,132	\$279,170	\$224,746
Newport	\$1,746,476	\$1,451,609	\$2,566,745	\$2,265,553
North Kingstown	\$3,470,760	\$3,185,164	\$4,952,068	\$4,537,518
North Providence	\$3,274,461	\$2,851,667	\$3,995,868	\$3,529,295
North Smithfield	\$2,011,093	\$1,627,904	\$1,938,011	\$1,714,187
Pawtucket	\$4,933,972	\$3,614,338	\$6,110,235	\$4,978,506
Portsmouth	\$1,511,133	\$1,274,350	\$2,764,166	\$2,433,879
Providence	\$9,237,039	\$7,523,285	\$12,671,525	\$10,464,807
Richmond	\$813,781	\$631,509	\$1,215,136	\$1,052,874
Scituate	\$1,643,803	\$1,302,590	\$1,809,180	\$1,599,592
Smithfield	\$3,538,967	\$3,014,648	\$3,381,075	\$3,063,517
South Kingstown	\$2,560,570	\$2,135,621	\$3,977,512	\$3,534,383
Tiverton	\$1,345,168	\$1,117,060	\$2,432,711	\$2,092,197
Warren	\$1,136,094	\$931,313	\$1,399,505	\$1,202,026
Warwick	\$13,359,925	\$11,550,105	\$15,276,301	\$14,478,357
West Greenwich	\$798,853	\$645,870	\$1,171,390	\$1,044,708
West Warwick	\$3,074,686	\$2,562,996	\$4,702,919	\$4,393,488
Westerly	\$3,210,367	\$2,709,130	\$3,431,647	\$3,014,744
Woonsocket	\$2,674,739	\$2,191,639	\$3,554,645	\$2,935,610
Municipal Total:	\$107,715,049	\$87,800,698	\$136,725,721	\$120,887,350

Appendix C

Finally, Table 13. 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 - 2022 and the current forecasted aid amounts for fiscal years 2023 and 2024. It should be noted that FY 2022 is currently on-going with aid amounts subject to minor revisions and payments being distributed quarterly to municipalities.

Table 13. 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	\$2,446,957	\$3,055,865	\$4,220,911	\$5,673,241
Bristol	\$308,596	\$451,693	\$731,756	\$1,068,057	\$1,205,978	\$1,495,720	\$2,796,382
Burrillville	\$552,658	\$919,758	\$1,773,256	\$2,236,064	\$2,674,014	\$3,662,985	\$4,846,868
Central Falls	\$322,550	\$400,386	\$974,826	\$1,146,364	\$1,317,663	\$1,637,283	\$1,975,790
Charlestown	\$121,257	\$198,744	\$262,539	\$370,507	\$365,310	\$471,253	\$976,062
Coventry	\$696,676	\$1,261,782	\$1,752,626	\$2,321,448	\$2,416,257	\$2,986,692	\$5,621,151
Cranston	\$2,420,745	\$4,873,529	\$9,047,284	\$10,754,766	\$12,478,780	\$16,397,001	\$21,269,806
Cumberland	\$690,135	\$1,181,380	\$1,594,767	\$2,215,641	\$2,387,679	\$3,005,151	\$5,819,819
East Greenwich	\$201,532	\$351,953	\$454,412	\$674,557	\$489,904	\$828,869	\$2,333,221
East Providence*	\$0	\$1,489,222	\$2,059,519	\$3,731,738	\$4,099,866	\$6,238,628	\$8,404,843
Exeter	\$275,229	\$471,116	\$614,675	\$778,840	\$937,751	\$1,471,385	\$2,147,962
Foster	\$265,408	\$365,452	\$524,653	\$699,113	\$842,747	\$1,176,274	\$1,578,077
Glocester	\$294,707	\$479,433	\$667,754	\$866,484	\$940,852	\$1,373,657	\$2,277,231
Hopkinton	\$240,438	\$368,018	\$493,618	\$669,072	\$690,062	\$888,218	\$1,556,875
Jamestown	\$49,855	\$82,111	\$92,454	\$129,022	\$99,549	\$136,168	\$600,459
Johnston	\$1,355,456	\$2,172,842	\$3,844,381	\$4,539,024	\$5,525,015	\$7,503,699	\$9,945,432
Lincoln	\$442,068	\$703,845	\$860,660	\$1,503,590	\$1,828,149	\$3,445,834	\$5,476,818
Little Compton	\$33,175	\$53,463	\$60,874	\$72,884	\$68,530	\$90,173	\$353,311
Middletown	\$152,887	\$221,836	\$287,307	\$494,438	\$622,510	\$843,473	\$1,900,301
Narragansett	\$141,407	\$242,013	\$275,968	\$379,152	\$380,713	\$475,824	\$1,645,641
New Shoreham	\$24,148	\$45,196	\$57,134	\$74,109	\$75,789	\$89,809	\$156,388
Newport	\$182,670	\$301,792	\$373,985	\$477,994	\$396,553	\$767,988	\$2,143,029
North Kingstown	\$443,350	\$539,103	\$596,570	\$1,206,704	\$1,715,469	\$2,555,965	\$5,186,229
North Providence	\$1,198,474	\$2,269,104	\$4,215,271	\$5,027,441	\$5,951,046	\$7,473,618	\$9,225,507
North Smithfield	\$451,435	\$782,624	\$1,436,612	\$1,789,918	\$2,204,173	\$3,109,174	\$4,215,266
Pawtucket	\$2,251,092	\$4,329,899	\$8,363,994	\$9,536,373	\$10,625,150	\$12,858,371	\$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	\$727,594	\$808,464	\$1,205,690	\$2,319,596
Providence	\$4,314,405	\$10,041,466	\$18,882,905	\$21,077,092	\$23,274,093	\$27,581,508	\$32,511,132
Richmond	\$181,864	\$300,199	\$404,727	\$552,198	\$567,964	\$787,551	\$1,381,745
Scituate	\$165,905	\$214,633	\$274,421	\$391,224	\$262,055	\$893,191	\$1,905,858
Smithfield	\$586,099	\$707,094	\$1,723,228	\$2,398,484	\$3,292,035	\$4,858,398	\$6,831,002
South Kingstown	\$341,383	\$511,156	\$630,089	\$1,065,279	\$1,227,440	\$1,674,477	\$3,788,010
Tiverton	\$154,261	\$241,745	\$309,379	\$375,141	\$302,728	\$408,085	\$1,647,896
Warren	\$279,856	\$448,562	\$601,264	\$802,858	\$860,468	\$1,280,943	\$1,996,562
Warwick	\$2,080,135	\$3,249,466	\$5,231,074	\$7,407,492	\$10,872,618	\$16,882,101	\$24,232,542
West Greenwich	\$153,710	\$227,025	\$326,110	\$470,632	\$477,651	\$609,202	\$1,275,729
West Warwick	\$539,265	\$1,107,180	\$1,579,573	\$2,173,964	\$2,360,629	\$3,689,244	\$5,435,314
Westerly	\$632,364	\$995,209	\$1,508,925	\$2,135,744	\$2,335,147	\$3,772,659	\$5,545,514
Woonsocket	\$1,337,252	\$2,690,768	\$4,913,067	\$5,589,802	\$6,272,171	\$7,537,162	\$8,946,910
Municipal Total:	\$24,511,559	\$46,211,793	\$80,169,431	\$100,377,763	\$116,308,835	\$156,384,329	\$221,617,744
* 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.							