



Testimony in SUPPORT of a Tax on Non-Owner-Occupied Homes: H-6189

House Committee on Finance

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The Economic Progress Institute **supports Representative Ajello's H-6189** which would establish a statewide property tax on non-owner-occupied homes, beginning at assessed values above \$800,000.

We already tax property on the local level. If H-6189 is enacted, Rhode Island would not be the only state with a statewide property tax, as 16 other states levy such a tax. Furthermore, the District of Columbia levies a higher marginal rate for commercial and industrial property valued over \$3 million.

Although Rhode Island does have in place a statewide real estate conveyance tax – and one with a graduated tax structure of higher rates on higher sales prices – that tax is a one-time assessment upon the sale of property, not an annual tax on assessed value. Real estate transfer taxes produce revenue only when homes are sold, whereas an annual property tax on high-value homes would provide an ongoing stable revenue source.

Perhaps most importantly, a sizable percentage of owners of mansions and other high-value homes are not Rhode Island residents. According to a 2023 Fiscal Note on a previous version of this legislation, **the Office of Revenue Analysis determined that 74% of the 3,370 properties identified for the analysis had owners with out-of-state addresses**. Therefore, many of these owners – while they paid the real estate conveyance tax the one time and pay local property taxes and occasional sales taxes when staying at their vacation homes – are not paying income tax to Rhode Island or necessarily contributing otherwise to the state's economy. However, they do continue to benefit, on the local and state level alike, from public services such as for roads and bridges and public safety.

To be clear, this is not a tax on primary residences, whatever the assessed value. Especially given the reality wealth concentration and of rapidly increasing housing prices and rental costs, a world in which many moderate-income (let alone low-income) individuals and families find it difficult to locate and afford a place to live, it is reasonable to ask wealthy people, especially wealthy non-residents, with two or more homes to pay a modest amount more each year to help maintain public services. Our overall tax system, on the federal and state level, continues to favor people with the highest income and highest wealth. This proposal would generate sustainable revenue while improving tax fairness.