



Testimony of Matthew Netto, AARP Rhode Island
In support of House Bill 7378
 House Committee on Municipal Government & Housing
 March 6, 2024

Chairman Casey and Members of the Municipal Government & Housing Committee:

AARP is a nonpartisan, social mission organization with 38 million members nationwide and nearly 128,000 members here in Rhode Island. We advocate on behalf of issues that impact older adults, and we appreciate the opportunity to provide comments on House Bill 7378 from Representative Voas.

The property tax is the most burdensome tax for many individuals with low incomes and older people. It affects people directly as homeowners and indirectly as renters. Landlords may pass on tax burdens in the form of higher rents. Since the property tax is based on the value of the home, it is in some ways more of a tax on wealth that is not directly related to a taxpayer’s current income and ability to pay. It is our belief that property tax relief should be equitable, cost-effective, and targeted to homeowners with low and moderate incomes burdened by their property tax bill.

Homestead exemptions can be an effective tool for providing property tax relief. However, House Bill 7278 as written suffers from several drawbacks. The enabling legislation is very broad. For example, while the bill refers to homesteads, it doesn’t specifically state whether the home needs to be occupied by the owner as their primary residence as most homestead exemption programs do. In addition, the law provides blanket authority for the municipality to determine the eligibility for the exemption. This means that any community can choose to limit the exemption based on age, income, disability, or other criteria. Alternatively, the community could choose to have no limits on eligibility other than it be a residential use with 4 units or less. As stated, it is our belief that property tax relief should be equitable, cost-effective, and targeted to homeowners with low and moderate incomes burdened by their property tax bill.

The most significant issue with House Bill 7378 is setting the exemption as a percentage of assessed value (up to 20%) rather than a fixed dollar amount. The example below used a 10% exemption amount. An exemption of this type – absent any income limit on participation – does not target relief to taxpayers that are more likely to have difficulty affording their property taxes. As a result, a percentage-based homestead exemption is not very efficient and will provide benefits to owners of high- and low-valued homes proportionally.

Homestead Exemption Example - 10% of Value			
	Taxpayer 1	Taxpayer 2	Taxpayer 3
Assessment	250,000	500,000	1,000,000
Tax w/o Exemption	2,500	5,000	10,000
Exemption Amount	25,000	50,000	100,000
Tax w/ Exemption	2,250	4,500	9,000
Savings \$\$\$	250	500	1,000
Savings %	10%	10%	10.0%

A better approach would be to establish the exemption amount as a fixed dollar amount in the legislation. This could be stated in dollar terms (e.g., an amount not to exceed \$40,000 in assessed value) or as a fixed amount based on the average value of residential properties in the community (e.g., an amount not to exceed 20% of the average assessed home value of the city or town). The example below shows the impact on the same three taxpayers of a fixed exemption of \$50k of assessed value. The \$50k exemption provides more proportional relief to low-value properties and less to high-value properties. This is more likely to target relief to taxpayers that need relief and can make the incidence of the property tax more progressive.

Homestead Exemption Example - Fixed \$50k			
	Taxpayer 1	Taxpayer 2	Taxpayer 3
Assessment	250,000	500,000	1,000,000
Tax w/o Exemption	2,500	5,000	10,000
Exemption Amount	50,000	50,000	50,000
Tax w/ Exemption	2,000	4,500	9,500
Savings \$\$\$	500	500	500
Savings %	20%	10%	5.0%

AARP feels it is important that House Bill 7378 be amended to structure the exemption as a fixed dollar amount of value rather than as a percentage of value as it is stated in the current draft of the bill. Homestead exemptions can be a very effective way to provide tax relief, but it must be done in a way that is equitable for those who need it most. Thank you for taking time to review our testimony.

Sincerely,



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