



RIPEC

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March 7, 2024

The Honorable Stephen Casey
Chairperson, House Committee on Municipal Government & Housing
Room 101
Rhode Island State House
Providence, RI 02903

RE: Testimony on House Bill 7378 – An Act Relating to Taxation – Levy and Assessment of Local Taxes

Dear Chairperson Casey,

I am writing on behalf of the Rhode Island Public Expenditure Council (RIPEC) in opposition to House Bill 7378 – An Act Relating to Taxation – Levy and Assessment of Local Taxes. This legislation would enable cities and towns to grant homestead exemptions to the owners of residential property who occupy their property as a primary residence in an amount of up to 20 percent of the assessed value without first petitioning the state for the authority to do so. It would not limit cities and towns that have statutory authority to provide exemptions at higher levels.

Homestead exemptions are often sold as a means of providing tax relief to residents, but they do not limit the property tax levy overall. Instead, homestead exemptions merely shift the property tax burden away from resident homeowners and towards other taxpayers, primarily other residential property owners, and indirectly to renters, who cover the cost of property taxes through their rent. Renters represent about a third (34 percent) of occupied housing units in Rhode Island, and typically have fewer economic resources to cover housing costs than homeowners.¹ Indeed, a reported 45 percent of renter households in Rhode Island are cost-burdened (spending more than 30 percent on housing costs), compared to 28 percent of homeowner households.² Increased use of homestead exemptions only ensures that this imbalance will grow. Already in Rhode Island, 11 cities and towns have either a homestead exemption or a separate rate for resident homeowners, and the resulting differences in tax bills can be significant; in 2023, a nonresident homeowner with a hypothetical property valued at \$425,000 (the median single family sale price for that year) would

¹ U.S. Census Bureau, American Community Survey, [Selected Housing Characteristics](#); RIPEC calculations.

² Rhode Island Foundation, [Housing Supply and Homelessness in Rhode Island](#), April 2023.

receive a tax bill over \$3,000 greater than resident homeowners in three communities: Providence, Central Falls, and West Greenwich.³

Homestead exemptions not only have a negative effect on individual renters—they are bad for the housing market and therefore only exacerbate Rhode Island’s current housing crisis. Studies have shown that, around the country, the property tax burden for renters has grown at higher rates than homeowners in the last several decades, and that this negatively affects the development of housing, and particularly higher-density housing, by increasing cost and thereby decreasing market incentive for the construction of such homes.⁴ Rhode Island is currently struggling to meet residents’ housing needs, with an estimated need of 24,000 additional low income units.⁵ Providence, which currently has the state’s most generous homestead exemption, reportedly experienced the largest year-over-year increase in rent last year compared to every other large American city (7.5 percent increase).⁶

A positive feature of property tax is that it is a progressive tax—a tax based on the taxpayer’s ability to pay, with individuals with lower valued property receiving lower tax bills. Unfortunately, Rhode Island has already enabled municipalities to enact policies that make property tax less equitable and moreover discourage the development of rental and higher-density housing. The proposed legislation would only exacerbate these issues, and in consequence, I respectfully urge the Committee to reject House Bill 7378.

Sincerely,



Michael DiBiase
President & CEO
Rhode Island Public Expenditure Council

RIPEC is a nonpartisan and nonprofit public policy research organization dedicated to providing objective research and analysis that addresses the critical challenges surrounding public finance and economic opportunity in Rhode Island.

³ [R.I. Division of Municipal Finance](#), Financial and Tax Data; R.I. Association of Realtors, [Year End 2023 Single Family Home Sales](#); RIPEC calculations.

⁴ For example: Jack Goodman, Joint Center for Housing Studies, “[Houses, Apartments, and Property Tax Incidence](#),” Joint Center for Housing Studies at Harvard University, February 2005; Jennifer Gravelle, “[Who Pays Property Taxes? A Look at the Tax Effects of Property Taxes Across the States](#),” 2007. World Economic Forum, “[Making Affordable Housing a Reality in Cities](#),” June 2019; Solomon Greene, et. al., “[Housing and Land-Use Implications of Split-Roll Property Tax Reform in California](#),” Urban Institute, October 2020; Patrick Atwater, et. al., “[Does State Tax Policy Discourage Housing Production?](#),” 2020.

⁵ National Low Income Housing Coalition, [The Gap: Rhode Island](#).

⁶ Zillow, [Rent Growth Finally Reaccelerates After Nearly Two-Year Slowdown \(October 2023 Rent Report\)](#).