State of Rhode Island
Department of Administration
Office of Management and Budget

Fiscal Note for Proposed Administrative Rules (R.I.G.L. § 22-12-1.1)

Name of Administrative Rule: Non-Owner Occupied Property Tax (280-RICR-20-75-1)

FISCAL IMPACT					
State Revenues		***State Expenditures***		***City/Town Expenditures***	
FY 2026	See below	FY 2026	$0	FY 2026	$0
FY 2027	See below	FY 2027	$0	FY 2027	$0
FY 2028	See below	FY 2028	$0	FY 2028	$0

Summary of Policy Change: The FY 2026 enacted Rhode Island budget established a new non-owner occupied property tax, administered by the Division of Taxation (the "Division") and effective July 1, 2026. The governing statute of this regulation, R.I. Gen. Laws Chapter 72, allows the Division to establish rules and regulations to administer this tax. This rulemaking creates a new regulation to implement the tax.

The proposed regulation includes both non-discretionary provisions, sourced from the statute, and discretionary provisions. The non-discretionary provisions include:

- The tax rate and property value threshold,
- The requirement to pay the tax in quarterly installments,
- The exemptions for properties that are occupied by the owner for 183 days or more, or for properties that are rented short-term or long-term for 183 days or more,
- The record requirements to prove occupancy and rental status,
- The imposition of interest and penalties on overdue taxes,
- The timeline for applying for a refund of tax overpayments, and
- The appeal process for the tax.

Discretionary provisions include:

- The system of notices of tax due will be sent to the taxpayer proactively by the Division,
- The use of municipal classification and assessment values as the basis for the tax, and the requirement that any appeals of the assessment are conducted by the municipality rather than the Division,
- The establishment of joint and several tax liability for the owners of the property,
- The provision that the taxpaying owner and owner-occupied status will be determined using a "privilege year," which is the fiscal year prior to the tax year.
- The rule that the timing of property transfers (either in the first or second half of the privilege year) will determine if the buyer or seller is responsible for the tax, and
- The standard that the assessed value used to determine the tax will be as of December 31 of the year prior to the privilege year.

Summary of State Fiscal Impact: The main fiscal impact of the regulation is the establishment of the non-owner occupied property tax, which is expected to yield around $25 million per year. This revenue is dedicated to the Low-Income Housing Tax Credit Fund and is not general revenue. The Division considers this revenue a result of the statute rather than the regulation.

As noted in the benefit-cost analysis that accompanies the regulatory submission, the regulation contains provisions designed to increase taxpayer compliance and reduce the implementation burden on the state. For example, the Office of Revenue Analysis estimates that non-compliance could potentially reduce revenue from this tax by $7 million (which is accounted for in the $25 million estimate). This regulation will help mitigate that noncompliance and yield more revenue for the state. However, this is a hypothetical calculation and should not be considered a direct fiscal impact.

The FY 2026 enacted budget included 6.0 full-time equivalent positions and $0.7 million in general revenue expenditures to fund the implementation of tax initiatives in the budget, including the non-owner occupied property tax. No additional state expenditures are needed to implement the non-owner occupied property tax.

City or Town Impact: There is no direct impact on municipal expenditures given that this tax is fully administered by the Division. There may be an indirect impact from taxpayers who choose to appeal the assessed value of their properties due to the imposition of the tax (these appeals would be carried out by the municipality). However, given that municipal property tax rates are higher than the state tax, these property owners would likely have filed an appeal even without the new non-owner occupied property tax.