

# Tax Exploration Subcommittee Final Report to Town Council

Tax Exploration Subcommittee

November 3, 2025



# Agenda

- Purpose / Participation of Subcommittee
- Property Revaluation Process
- Key Findings
- Recommendations
- Commendations
- Conclusion

## Purpose

- The Tax Exploration Subcommittee was established by resolution of the Middletown Town Council on July 15, 2024, to examine the current methodologies used for real estate tax assessments and explore potential reforms.
- The last of seven members was appointed on January 6, 2025.
- The Subcommittee's work spanned January through September 2025, and this summary provides an overview of findings, recommendations, and commendations for Town Council consideration.

# Participation

- The work is the result of five active members of the Committee:
  - Don Morin, Chair
  - Jeff Lemler, Vice Chair
  - Lawrence Frank
  - Matt Sullivan
  - Walt Wildemann
- Two other members attended just the first couple of meetings.
- Town Council liaison Dennis Turano attended most of our meetings.
- Peter Connerton attended several meetings; Tom Welch attended one.
- A few community members attended several meetings.

# Property Revaluation Reminder

- Per RI General Law 44-5-11.6, cities and towns are required to perform a statistical update every third and sixth year and a full property revaluation every nine years.
- A full update includes a physical inspection of every parcel. The assessment date is December 31st for the respective year, and the new assessment information takes effect the next fiscal year.
- Middletown's most recent statistical update was December 31, 2023, taking effect in 2024 for FY2025. The next assessment in 2026 will be a full property revaluation that will take effect in July 2027 for FY2028.

# Property Revaluation Reminder

- The purpose of the revaluation is to correct disproportionate taxation.
- This is done by:
  - Adjusting value for market shifts
  - Capturing all new construction (new structures and additions to existing buildings via building permits)
  - Providing access to all information via computerized property files

## Key Findings

- The 2023 statistical revaluation conducted by Vision Government Solutions showed strong correlation with market sales data (0.94), confirming the general effectiveness of the revaluation process.
- Each property valuation is comprised of a residential assessment for the building and a land assessment based on lot size and location.
- Land values increased more sharply than building values (~70% vs. ~40%).
- The Tiered Residential Tax Program multiplier change (from 1.075 to 1.30) shifted a greater burden onto non-resident property owners when compared with resident homeowners.
- The average tax increase for non-resident homeowners was ~26% vs. ~3% for resident homeowners.

## Key Findings

- Some neighborhood code (NBHD) anomalies were identified, which can create inequities, with parcels inconsistently classified.
- Existing targeted tax relief programs are valuable but could be expanded, including those for veterans, seniors, and historic properties such as stone walls.
- Short-Term Rentals (STRs) present regulatory and taxation challenges; fee structure may need review.
- Middletown successfully secured an additional 1% hotel tax, but opportunities to further diversify revenue sources exist.
- No other limits (assessment or rate caps) are recommended at this time.

## Recommendations

- Review and correct neighborhood code anomalies to ensure equitable property valuation.
- Enhance public awareness by finalizing and publishing an educational guide to the property tax process and field card usage to ensure transparency.
- Consider broadening veteran exemptions to include all honorably discharged veterans, regardless of service dates, following Jamestown's model.
- Consider adopting provisions of RIGL 44-5-87 where those over the age of sixty (60) can volunteer in Town to earn credits to apply to their tax bills.
- Consider expanding the residential tax rate incentive to non-resident homeowners who lease their property for 183 days or more, provided no short-term rental use occurs at any time during the year.

## Recommendations

- Consider reevaluating the five-year residency requirement for senior exemptions, with consideration of reducing or eliminating it, and review/adjust the income levels.
- Consider partnering with the Middletown Historical Society to adopt a stone wall exemption to protect historic resources.
- Ensure integration between approved building permits and revaluation software for greater accuracy (already in process).
- Review and adjust Town fees as needed, including Short-Term Rental registration fees, to reflect administrative and enforcement costs.
- Continue pursuing diversified revenue opportunities, such as fees on tourism-related activities.

# Commendations

The Subcommittee commends the Town Council for appointing it and supporting its work. Specific commendations include:

- The high correlation between market data and the 2023 revaluation, which demonstrates accuracy and fairness in the process.
- The Town Assessor's dedication to public education of the tax process, including support for the development of a resident-friendly guide to property valuation and taxation.
- Middletown's proactive adoption of an additional 1% hotel tax, which strengthens revenue diversification.
- The commitment of community members, Town Council members, and staff who contributed to this effort.

## Conclusion

- The Tax Exploration Subcommittee concludes that while Middletown's current tax process is functioning as intended, important opportunities exist to improve homeowner understanding and increase process efficiency.
- Adoption of the recommendations outlined in the final report will ensure an accurate and fair taxation system that meets the needs of the community.
- Before implementing any changes, a thorough analysis of the cost impact must be performed.
- Members of the Subcommittee wish to remain engaged through the next full property revaluation efforts in 2026 to assist with implementing the recommendations listed as needed and to perform follow up analysis similar to what was done for the 2023 statistical revaluation.

Tax Exploration Subcommittee Final Report – November 2025

**Middletown Tax Exploration Subcommittee**  
**Final Report to Town Council**  
**November 3, 2025**

## Executive Summary

### Purpose

The Tax Exploration Subcommittee was established by resolution of the Middletown Town Council on July 15, 2024 to examine the current methodologies used for real estate tax assessments and explore potential reforms. The Committee's work spanned January through September 2025, and this Executive Summary provides an overview of findings, recommendations, and commendations for Council consideration.

### Key Findings

- The 2023 statistical revaluation conducted by Vision Government Solutions showed strong correlation with market sales data (0.94), confirming the general effectiveness of the revaluation process.
- Land values increased more sharply than building values (~70% vs. ~40%).
- The Tiered Residential Tax Program (TRTP) multiplier increased the non-resident tax rate, shifting a greater burden onto non-resident property owners (+26.2% average tax increase) compared with resident homeowners (+3.0% average tax increase).
- Some neighborhood code (NBHD) anomalies were identified, which can create inequities, with parcels inconsistently classified.
- Existing targeted tax relief programs are valuable but could be expanded (e.g., for veterans, seniors, and historic properties such as stone walls).
- Short-Term Rentals (STRs) present regulatory and taxation challenges; fee structures may need review.
- Middletown successfully secured an additional 1% Hotel Tax but has opportunities to diversify revenue sources further.

### Recommendations

- Review and correct neighborhood code anomalies to ensure equitable property valuation.
- Enhance public awareness by finalizing and publishing an educational guide to the property tax process and field card usage to ensure transparency.
- Expand the residential tax rate incentive to non-resident homeowners who lease their property for 183 days or more, provided no short-term rental use occurs at any time during the year.
- Consider broadening veteran exemptions to include all honorably discharged veterans, regardless of service dates, following Jamestown's model.
- Consider adopting provisions of RIGL 44-5-87 where those over the age of sixty (60) can volunteer in Town to earn credits to apply to their tax bills.
- Consider reevaluating the five-year residency requirement for senior exemptions, with consideration of reducing or eliminating it.
- Partner with the Middletown Historical Society to consider adopting a stone wall exemption to protect historic resources.
- Ensure integration between building permits and revaluation software for greater accuracy.
- Review and adjust Town fees as needed, including Short-Term Rental registration fees, to reflect administrative and enforcement costs.

- Continue pursuing diversified revenue opportunities, such as fees on tourism-related activities.

### **Commendations**

The Committee commends the Town Council for establishing the Subcommittee and supporting its work. Specific commendations include:

- The high correlation between market data and the 2023 revaluation demonstrates accuracy and fairness in the process.
- The Town Assessor's dedication to public education of the tax process, including support for the development of a resident-friendly guide to property valuation and taxation.
- Middletown's proactive adoption of an additional 1% hotel tax, which strengthens revenue diversification.
- The commitment of community members, Town Council liaisons, and staff who contributed to this effort.

### **Conclusion**

The Tax Exploration Subcommittee concludes that while Middletown's current tax process is functioning as intended, important opportunities exist to improve homeowner understanding and increase process efficiency. Adoption of the recommendations outlined above will ensure a more predictable, fair, and sustainable taxation system that meets the needs of the community. Some members of the Subcommittee wish to remain engaged through the next full property reevaluation efforts in 2026 to assist with implementing the recommendations listed.

## Introduction

Taxes are the primary basis for funding the Town’s needs and services. The Middletown Town Council voted at their meeting on July 15, 2024 to form the “Tax Exploration Committee”. The Resolution of the Town Council can be viewed here:

[https://clerkshq.com/Content/Attachments/Middletown-ri/2024\\_r47.pdf?clientSite=Middletown-ri](https://clerkshq.com/Content/Attachments/Middletown-ri/2024_r47.pdf?clientSite=Middletown-ri). The Committee was composed of seven community members and a Town Council liaison (non-voting member), and the Council completed appointments on January 6, 2025.

### Charge of Committee by Town Council Resolution

The charge of the Tax Exploration Committee per Town Council Resolution is as follows:

1. The Committee is tasked with examining the current methodologies used for real estate tax assessments and exploring potential reforms.
2. The Committee shall investigate the use of tax classification and exemptions with the real estate taxation system.
3. The Committee shall aim to identify policies that are simple, transparent, neutral and stable.
4. The Committee shall explore ways to increase the efficiency and effectiveness of property assessments and improve the accuracy and consistency of real estate taxation.
5. The Committee shall evaluate how potential reforms could impact local housing markets including costs associated with buying, renting, or investing in residential properties.

### Meeting Attendance

The Committee met roughly once a month from January through September 2025.

Copies of the agendas and minutes are available on the RI Secretary of State website:

<https://opengov.sos.ri.gov/OpenMeetingsPublic/OpenMeetingDashboard?subtopmenuId=201&EntityID=1979&MeetingID=1072350>. All meetings were open to the public and were sparsely attended. Town Council members Peter Connerton and Tom Welch were present at some of the meetings.

Voting	Name	Title	1/30/25	2/10/25	3/4/2025	4/1/25	5/6/25	6/3/25	7/1/25	8/5/25	9/9/25	9/23/25
Yes	Don Morin	Chair	P	P	P	P	P	P	P	P	P	P
Yes	Jeff Lemler	Vice Chair	P	P	P	-	P	P	P	P	P	P
Yes	Shannon Marshall	Secretary	P	P	-	-	-	-	-	-	-	-
Yes	Lawrence Frank	Member	P	P	P	P	P	P	P	P	P	-
Yes	Matt Sullivan	Member	-	P	P	P	-	P	P	-	P	P
Yes	Antone Viveiros	Member	P	P	P	-	-	-	-	-	-	-
Yes	Walt Wildemann	Member	-	P	P	P	P	-	P	P	P	P
No	Dennis Turano	Non-Voting Town Council Liaison	P	P	P	P	P	-	-	P	P	-

P -Present

## Education

The Committee members spent the first few meetings becoming educated on how the property revaluation process works. Members learned about the Vision Government Solutions revaluation process, how to read field cards, and how RI's 4% levy cap impacts tax policy. Once educated, the Committee was able to take a deeper dive into Middletown's most recent property tax revaluation that took place in 2023.

Per RI General Law 44-5-11.6, cities and towns are required to perform a statistical update every third and sixth year and a full property revaluation every nine years. A full update includes a physical inspection of every parcel. The assessment date is December 31st for the respective year. Middletown's most recent statistical update was December 31, 2023. The next assessment in 2026 will be a full property revaluation.

The purpose of the revaluation is to correct disproportionate taxation. The Town typically hires a contractor to do this work, such as Vision Government Solutions (<https://www.vgsi.com/>), and their work is focused on the following areas:

- Adjusting value for market shifts
- Capturing all new construction (new structures and additions to existing buildings)
- Providing access to all information via computerized property files – the information from the revaluation can be found here:

<https://www.middletownri.gov/899/Revaluation-2024>.

Information about a property's valuation is captured on what's known as a field card. Field cards can be obtained from the Tax Assessor's office at the homeowner's request. It is important to note that many members of the Committee were unaware of the existence of a field card. As a result, the Committee spent an entire meeting walking through all the information on a field card to get better educated, and the Committee created a guide for anyone to use to better understand the revaluation and tax process. That guide can be reviewed in Appendix I.

## Determination of Property Values

Each property valuation is comprised of a residential assessment for the building and a land assessment based on lot size and location. Home size, number of rooms, year built, condition, etc. are all factored into the value of a building. Neighborhood codes group properties

that share similar market influences. Different multipliers per neighborhood code are used to add a weighting factor to the land value.

### **Overview of Middletown's 2023 Revaluation**

The Town of Middletown contracted with Vision Government Solutions (Vision) to perform the 2023 statistical revaluation. Only homes that were sold or had building work done were visited. For new home sales, the market determines the property value. Not all neighborhoods had homes sold. Land values are also adjusted if land is sold. Vision was unable to physically visit all homes that had building work done, but a drive by field review was done for all homes. Overall property values are based on comparable sales. Land values are heavily influenced by neighborhood code. More information about neighborhood codes can be found later in this report.

Along with the statistical revaluation, the Town Council adjusted the Tiered Residential Tax Program (TRTP) multiplier to shift more of the tax burden from residential homeowners to non-residential homeowners. The non-resident tax rate was increased from 1.075 to 1.30 times the residential rate.

### **Statistical Analysis of 2023 Revaluation**

As mentioned above, as part of the revaluation process, Vision was required to provide access to all information via computerized property files. The information from the 2023 revaluation can be found here:

<https://townofmiddletownri.nextrequest.com/documents/33051220>. To better assess how well Vision adjusted home values, data analysis was performed, and it showed strong correlation (0.94) between 2023 sales data and December 31, 2023 property assessment values. Similarly, sales data from 2024 closely matched these same property assessment values. As a result, the data shows that, in general, the property revaluation process is working as designed with respect to ensuring assessment values align with sales prices.

2023 Sales Price vs 2023 Revaluation

Scatter plot with linear regression

Basic statistics

Count (n)	114	Model strength (R <sup>2</sup> )	0.893
Standard error	163,865.03	Correlation (R)	0.94

Regression (prediction) model

2024 Assessed Value = 0.872 * 2023 Sales Price + 104342.066
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Make a prediction

— Choose a prediction option —			
Enter value for 2023 Sales Price		Enter desired 2024 Assessed Value	
Predicted 2024 Assessed Value		Required 2023 Sales Price	
Upper end of prediction range for 2024 Assessed Value		Upper end of prediction range for 2023 Sales Price	
Lower end of prediction range for 2024 Assessed Value		Lower end of prediction range for 2023 Sales Price	



t-stat      p-value

Slope coefficient	0.872	30.515	0.000
y-intercept	104,342.066	3.712	0.000

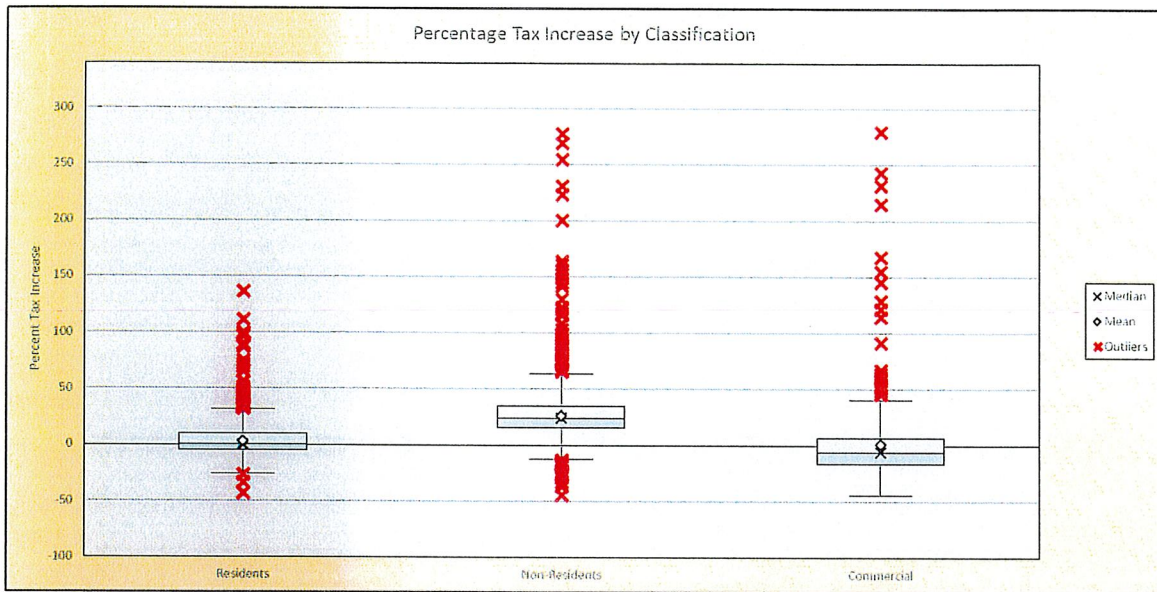
One key observation is that land values increased much more than building values: ~70% increase versus ~40% increase. Also, the TRTP multiplier change caused a much larger increase in taxes for non-residents than residents. The average tax increases by classification were:

- Resident: 3.0%
- Non-resident: 26.2%
- Commercial: 1.4%

The breakdown of taxes paid by residents versus non-residents is as follows:

- # of taxpayers getting residential rate: 2823 (58.6% of total)
- # of taxpayers getting non-residential rate: 1993 (41.4% of total)
- % of total taxes paid by residential taxpayers: 47%
- % of total taxes paid by non-residential taxpayers: 53%

In summary, the non-resident taxpayers represent ~41% of the total but they pay ~53% of the taxes, while residents represent ~59% of the total but only pay ~47% of the taxes as a result of the TRTP program.



Tax Rates: Resident: \$8.66; Non-Resident: \$11.26; Commercial: \$12.98  
 Avg. % Tax Change Resident: 3.0%; Non-resident: 26.2%; Commercial: 1.4%

A few anomalies were seen in the analysis of the neighborhood code (NBHD) data, which led to further investigation (see section titled Neighborhood Codes below). During the analysis, an error with the data in the “New Total” column in the Vision datafile was discovered. Instead of reporting the assessment value of the property, upon which the taxes are determined, this column lists the appraised value, which can differ from the assessed value. This difference typically happens with a property that is enrolled in the farm forest and open space program, which reduces the appraised value of the land. Since this involves a small percentage of properties across the Town, it doesn’t significantly alter the analysis that was performed.

### Land Valuation Methodology

Lot values are derived from market-based data. Since there are too few vacant land sales to draw conclusions about the value of developed land, a methodology called “land residual” is used. Using this method, the cost-based value of the structure(s) is deducted from the sale price, resulting in a remaining value for the land. The square foot base rate is developed based on zoning districts or on the typical lot size of a given area. When the base lot area is identified, market data (i.e., land residuals) is plotted to develop a curve known as the “land curve.” The curve is intended to reflect market activity, which typically indicates that land is not bought and

sold on a square foot basis, rather the square foot price decreases as the acreage increases. The curve also attempts to establish the extent to which a building lot which is undersized for its area will receive a higher price per square foot, but a lower total lot value.

The land curve was increased by 155% based on nine land sales in 2022 and two land sales in 2023 (that were later changed due to new construction). The prime land assessment is based on 20,000 square feet (prime site) and excess land value at \$15,000 per acre for all residential properties except for Indian Avenue waterfront, which was formerly calculated on a one-acre prime site at \$1.9 million, which has been adjusted to \$3 million per acre based on three older sales from 2021 and 2022. No sales were found in 2023. The second landline acre remains is \$1 million and any excess acreage at \$450,000. Visit <https://townofmiddletownri.nextrequest.com/documents/31168358> for more detailed information.

### **Neighborhood Codes**

Neighborhood codes are primarily used for grouping properties that share similar market influences. They help assessors apply consistent valuation adjustments based on location-specific factors such as access to services, school districts, water influences, or market demand. The codes are used to reflect consistent market behavior.

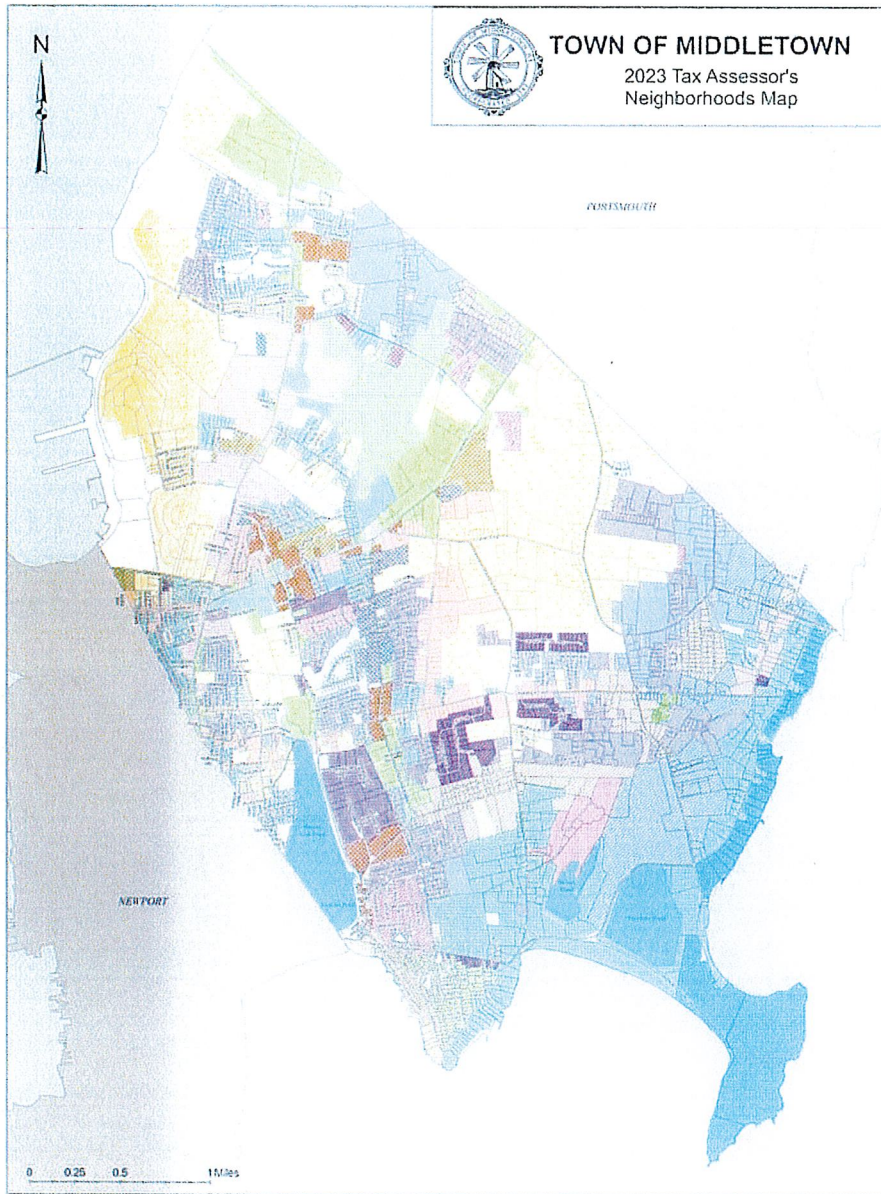
Weights based on neighborhood code were adjusted during the most recent statistical revaluation. The changes are shown here:

**NEIGHBORHOODS:**

Code	Old Weight ‰	New Weight ‰	‰ Change
0020	.55	.55	0
0030	.75	.85	13
0040	.80	1.00	25
0045	1.00	1.00	0
0050	1.10	1.05	-5
0055	1.10	1.10	0
0060	1.25	1.50	20
0065	1.35	1.20	-11
0070	1.30	1.15	-12
0075	new	1.55	0
0077	1.25	1.25	0
0080	1.95	2.35	21
0090	1.35	1.75	30
0095	1.30	1.35	4
0100	1.25	1.15	-8
0110	1.40	1.35	-4
0120	2.60	2.85	10
0125	1.75	1.75	0
0130	2.70	2.70	0
0140	2.25	2.35	4
0150	2.50	2.50	0
0160	2.50	3.15	26
0170	3.15	3.15	0
0180	3.25	3.25	0
0190	2.55	2.55	0
0200	4.50	4.50	0
0220	3.85	4.25	10
0240	3.85	3.85	0
0250	3.00	3.00	0

Based on the initial review of sales with water influences, it is recommended that the condition factor also be applied to the excess land.

Some NBHD codes are widely scattered across town as shown below.

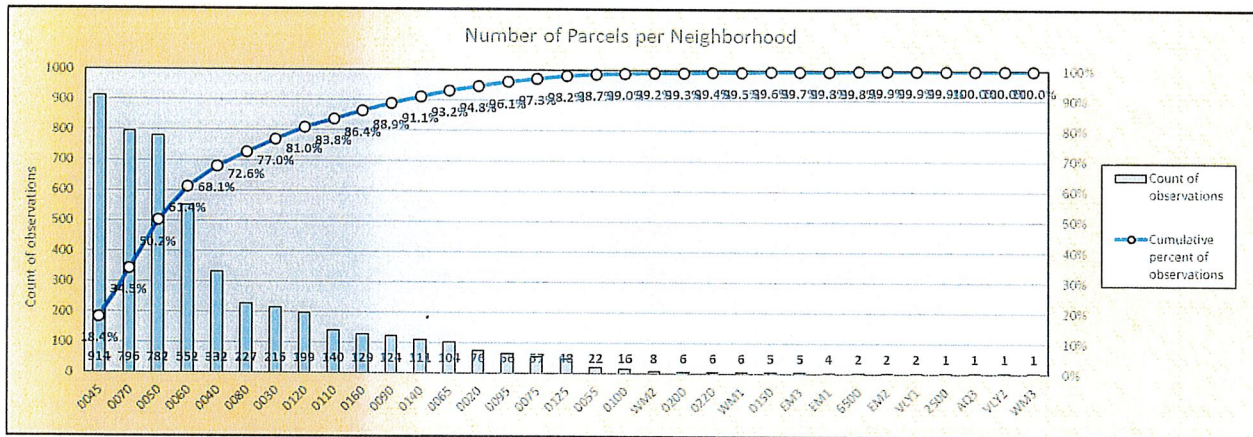


**Legend**

Road Class	Neighborhood Code	0050	0060	0130	0150	0160	0170	0180	0190	0200	0210	0220	0230	0240	0250	0260	0270	0280	0290	0300	0310	0320	0330	0340	0350	0360	0370	0380	0390	0400	0410	0420	0430	0440	0450	0460	0470	0480	0490	0500	0510	0520	0530	0540	0550	0560	0570	0580	0590	0600	0610	0620	0630	0640	0650	0660	0670	0680	0690	0700	0710	0720	0730	0740	0750	0760	0770	0780	0790	0800	0810	0820	0830	0840	0850	0860	0870	0880	0890	0900	0910	0920	0930	0940	0950	0960	0970	0980	0990	1000	1010	1020	1030	1040	1050	1060	1070	1080	1090	1100	1110	1120	1130	1140	1150	1160	1170	1180	1190	1200	1210	1220	1230	1240	1250	1260	1270	1280	1290	1300	1310	1320	1330	1340	1350	1360	1370	1380	1390	1400	1410	1420	1430	1440	1450	1460	1470	1480	1490	1500	1510	1520	1530	1540	1550	1560	1570	1580	1590	1600	1610	1620	1630	1640	1650	1660	1670	1680	1690	1700	1710	1720	1730	1740	1750	1760	1770	1780	1790	1800	1810	1820	1830	1840	1850	1860	1870	1880	1890	1900	1910	1920	1930	1940	1950	1960	1970	1980	1990	2000
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The number of parcels within a NBHD code also varies widely (from 1 parcel to 914 parcels). During data analysis, it was discovered that dozens of parcels across town are in a different NBHD code than neighboring homes. Also, some mobile homes have a NBHD code while others do not. Most mobile homes sit on land that is not owned by the mobile homeowner, subsequently having no land value. It is not clear why a property with no land has a NBHD code.

The number of properties within each NBHD Code is shown here:



### MEDAC Recommendation to Encourage Long Term Rentals

Valarie Gelb shared a document with the Committee at its July meeting on behalf of the Middletown Economic Development Advisory Committee. The document had been presented to the Town Council at an earlier date, and its intent was to encourage more long-term rental availability. One can review it here:

<https://docs.google.com/document/d/1EXDatcdFMzEzxoTn4FzTAiRvAx23Tn13/edit?usp=sharing&ouid=106047208676687605990&rtpof=true&sd=true>. Ms. Gelb informed the Committee

that 800 family members will be moving to the area in the next few years to support NOAA and another 500 family members to support the Coast Guard. Not enough housing exists to support these family members, so MEDAC recommended that Middletown begin looking at ways to encourage additional long-term housing, and to “differentiate between tourist rentals (visitors) which are short term and long-term tenant occupied rentals.” Given that the Town has already approved the resident tax rate for landlords who can produce a twelve-month lease, it was suggested that the Town consider expanding this rate to all leases to full-time residents (183 days

or more) as it is believed that there are some military families who sign nine- or ten-month leases. The Committee felt that the resident rate should only be offered if the homeowner did not use the property as a short-term rental for any part of the year.

### **RIPEC Observations and Recommendations**

The Committee reviewed two RIPEC reports: “[Shifting Burdens – An Updated Analysis of Rhode Island’s Property Tax System](#)” from June 2024 and “[Rhode Island’s State and Local Tax Shift](#)” from March 2025. In summary, the RIPEC reports state that a Homestead exemption (such as the TRTP program) unfairly shifts the tax burden from resident homeowners to non-resident homeowners, which tends to help the taxpayers who need the help the least, as renters tend to be significantly poorer than homeowners, and increased property taxes on landlords can impact the cost of rental properties. RIPEC also encourages policymakers to consider adopting separate tax rates on apartment buildings to allow for reduced tax rates on these properties, as classifying housing with over five units as commercial property increases the cost of owning such property, resulting in higher rents and disincentivizes this kind of higher density housing, which is desperately needed in RI. Finally, RIPEC encourages targeted tax relief to specific classifications of homeowners. A summary of the RIPEC reports can be found here: <https://drive.google.com/file/d/13v1nyTmyvkKADGNZKUo0sNP6WUXmYyQI/view?usp=sharing>. Given the recommendation of RIPEC regarding targeted tax relief, the Committee investigated the various targeted tax relief programs that are allowed in Rhode Island.

### **Targeted Tax Relief**

Per RIPEC, targeted tax relief to specific and relatively small populations are far less distortive than policies providing tax relief to all resident homeowners. Many states have adopted policies that provide tax relief to low-income homeowners, particularly low-income senior citizens. RI law allows for tax relief for property owners in several categories. A summary of the targeted tax relief offered by each municipality in RI can be viewed here: [https://rileague.org/resource/resmgr/resource\\_files/basics/2025\\_Municipal\\_Tax\\_Exemption.pdf](https://rileague.org/resource/resmgr/resource_files/basics/2025_Municipal_Tax_Exemption.pdf).

Middletown offers many targeted tax relief programs. The first to mention is the Veterans Exemption. RIGL 44.3.4.2 specifies those conflicts that enable a veteran to be eligible for targeted tax relief. If a veteran did not serve during one of these conflicts, they are not

eligible for the exemption. RIGL 44.3.4.2 also states that, in Jamestown, “the Town Council may, by ordinance, provide for a tax credit or exemption to any veteran of the United States armed services regardless of their qualified service dates, who was honorably discharged or who was discharged under conditions other than dishonorable.” The Committee believes that Middletown should consider offering tax relief to all veterans like what Jamestown offers and not just offer relief to those who served during the conflicts specified in RIGL 44.3.4.2.

Middletown also offers a Senior Exemption. All seniors 65+ are offered tax relief in year one which is adjusted as property valuations change to ensure appropriate tax relief is given. Different levels of relief are offered based on income level. Income levels are adjusted annually based on CPI/inflation for seniors. Middletown requires a minimum of five years of residency to qualify for the senior exemption. Many other RI towns have a length of residency requirement ranging from one to ten years; however, a few towns just require residency, with no minimum length specified. The Committee suggests that the Town study this length of residency requirement to determine if it should be modified or perhaps even eliminated. Also, other municipalities in RI offer larger veteran and senior exemptions. Middletown might want to compare its exemptions with other communities to determine if adjustments are warranted.

RIGL 44-3-43 allows for a historic stone wall exemption. Middletown does not offer this exemption, but with its numerous stone walls, perhaps this is something to consider. Francine Newth, who oversees the Stonewall Registration program at the Middletown Historical Society (MHS), reached out to this Committee to offer support for Middletown to consider offering this exemption to help preserve the historic stone walls in town. The program currently has 85 stone walls registered, but it is not clear how many would meet the criteria outlined in RIGL 44-3-43.

Middletown also offers a \$71,100 exemption for real property for the visually impaired and offers a tax deferral and tax freeze program for those over age 65 that meet certain income limitations.

RIGL 44-5-87 authorizes cities and towns to establish programs to offer tax credits to property owners age 60 and over in exchange for volunteer hours. While each city and town adopting the program can set its own parameters, the legislation allows them to let seniors earn up to \$1,500 off their property taxes. The Committee suggests that the Town investigate this opportunity in hopes of offering seniors another way to reduce their tax bill.

The Committee recommends that before any changes are proposed, a one-year, five-year and ten-year cost analysis of all exemptions currently offered by the Town is performed. The Committee also recommends that prior to authorizing any new exemptions, a cost analysis be carried out to measure the potential cost impact one, five, and ten years into the future.

### **Potential Property Tax Limits**

There are a few different types of limitations that some states place on property tax increases. Per RIGL 44-5-2 (<https://webserver.rilegislature.gov/Statutes/TITLE44/44-5/44-5-2.htm>), RI has a levy limit which restricts the total amount of property tax revenue a government can collect in a given year. This limit considers the previous year's levy, which can then be increased in the subsequent year by no more than 4% plus new growth, with some exceptions. RI is one of thirty-six states across the country that has a levy limit.

Rate limits are in place in thirty-seven states, which restrict the maximum percentage or rate at which a taxing jurisdiction can tax property. This is not something that is recommended based on evidence from other states, such as Massachusetts Prop 2½ legislation, which employs both a levy and rate limit, and which the Committee feels is overly restrictive according to a couple of members on this Committee who used to live and/or work in Massachusetts.

Nineteen states have assessment limits. These restrictions limit the amount an individual property's assessed value can increase each year. For example, an assessment limit might not allow a home's assessment to increase by more than 3%, even if the property's market value increases by 20%. Studies have shown that California's 2% assessment limit crippled the education system, and Middletown should be cautious about considering any type of assessment limit. It is interesting to note that recently introduced House Bill H5696 would place a twenty percent (20%) cap on increases in consecutive revaluations of real property in all cities and towns conducting revaluations commencing December 31, 2025, and every December 31 thereafter. The bill was held for further study. The Subcommittee believes that any levy, rate or assessment limits should be driven at the state level and not at the local level.

For a summary of the different limits in each state, visit <https://docs.google.com/document/d/1QnExYcgw8f5izW3qkcSqfId21ZV9IZOb/edit?usp=sharing&ouid=106047208676687605990&rtpof=true&sd=true>.

### **Vision for the Property Tax Process**

The Committee feels that a property tax process should have four key attributes. It should be simple, transparent, predictable and fair. With respect to the current process, the Committees feels that the current revaluation process is not simple, however, due to the

requirements outlined in [RIGL 44-5-11.6](#), the Town is obligated to follow this process. Appendix I attempts to help the average homeowner to better understand how the current process works.

The Committee feels that the current process is not as transparent as it could be due to its complexity. The Town should consider making Field Cards more readily available with a “how-to” guide to understand them. Appendix I contains information that can assist the average homeowner with understanding the field card information. In addition, the Town offers many targeted tax relief programs, which could be better advertised to ensure that eligible homeowners are taking advantage of them.

The Committee believes that the current process is not predictable. Property valuation is market driven. There is not much the Town can do to control the market to make it more predictable.

Finally, the Committee is non-committal regarding the fairness of the current process as it depends on your definition of “fair”. Non-residents might not think the current process is fair, but it is working as designed, with the TRTP program shifting the tax burden from the resident to non-resident homeowners.

### **Short Term Rentals**

Since Short-Term Rentals (STRs) are typically classified as residential/non-residential single-family dwellings, state regulations prevent a municipality from taxing them at the commercial rate. Other municipalities are litigating what can and can't be done regarding limitations on STRs, and Middletown should wait to see what transpires from those activities. Middletown's annual non-refundable registration fee for registering STRs is \$55.00 for each bedroom in the unit with a minimum fee of \$55.00. The fee for premises on which the owner maintains his or her principal residence shall be \$55.00 per dwelling unit, regardless of the number of bedrooms. In 2023, Newport increased its annual short-term rental registration fee to \$500 for owner-occupied properties and to \$1,000 for non-owner-occupied properties. All short-term rental properties registered with the city previously paid \$100 per year. Per legal counsel, any STR registration fee collected must be used to administer, manage and enforce the (STR) program. It isn't clear if more enforcement was needed to support Newport's fee increase, but Middletown might want to investigate if additional fees are required to more effectively manage the STR program.

Currently a homeowner with a registered STR can qualify for the residential tax rate if they meet the following criteria: “Any property containing a dwelling unit used or registered as a short-term rental, as that term is defined in Section 400 of Chapter 152 of the Town Code, for any period of time during tax year for which the owner-occupied rate is claimed, shall not qualify for said rate; provided however, that the rental of two bedrooms or less to no more than two persons per room in an owner-occupied dwelling unit while the owner is present, with said dwelling unit being also the principal residence of the owner of said dwelling unit, shall be exempt from the provisions of this subsection.” Many resident homeowners who have non-conforming grandfathered STRs are unable to obtain the resident tax rate due to this restriction. Perhaps the Town should revisit this limitation for those homeowners with grandfathered STRs who are present during the STR rental period but exceed the two-bedroom limit.

### **Other Diversified Revenue Sources**

Rhode Island primarily relies on property taxes and fees for services to fund municipality budgets. Communities should leverage other opportunities for revenue wherever possible. Given that Middletown is a tourist community, other potential tax sources that would not impact residents could be additional taxes on hotels, meals, rental cars/rideshare services, etc. Middletown was successful in getting an additional 1% Hotel Tax approved by the General Assembly. This will provide much needed additional revenue to the Town outside of its property tax process. On July 9th the Newport City Council gave initial approval to an increase in local fees on harbor moorings, annual registration and inspection fees for rental properties that are leased for more than 30 days but less than nine months, public entertainment and special event licenses, and more. Perhaps Middletown should review its fee structure as well. For an overview of the different existing diversified revenue sources across the United States, visit here: <https://docs.google.com/presentation/d/1pP71dIV9QVebo47OoLNavyDVAnuQ0qZJ/edit?usp=sharing&oid=106047208676687605990&rtpof=true&sd=true>.

### **Recommendations**

While the Committee has concluded that the current tax process in general is working as designed, the group has come up with a list of recommendations to further improve the existing process, focusing on increased understanding through education and thoroughly reviewing the Town's neighborhood codes. That list is as follows:

#### **Recommended Actions to Improve the Existing Process**

- Finalize educational document to explain property tax process for Middletown residents.  
– Tax Exploration Subcommittee
- Work with the Tax Assessor to ensure that anomalies with neighborhood codes are addressed during the next revaluation cycle. – Tax Exploration Subcommittee
- Ensure that all Building Permits (in Open Gov) automatically transfer to the property revaluation software when a permit is signed off. – Town
- Consider expanding the offering of the residential tax rate to any landlord who leases to full-time residents (183 days or more), not just 12-month leases, provided that the homeowner does not use the property as a short-term rental at any time. – Town
- Consider offering tax relief to all veterans, not just those who served during the conflicts specified in RIGH 44.3.4.2. – Town
- Consider whether the residency requirement of five years for senior exemptions should be relaxed or even eliminated, and review/adjust the income levels. – Town
- Consider working with the Historical Society to adopt a stone wall exemption to preserve Middletown's historic resources. – Town
- Consider reviewing all Town fees to ensure adequacy. – Town
- Consider reviewing the existing Town Ordinance that prevents resident homeowners with grandfathered non-conforming STSs from receiving the resident tax rate, provided the homeowner is present during the STR rental period. – Town

#### **Recommendations to Address Neighborhood Code Anomalies**

- Review NBHD codes to ensure that properties are grouped appropriately.
- Review NBHD codes and update those that appear to be outliers from neighboring homes, i.e., one-offs (data provided to Tax Assessor).

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- Investigate parcels with similar lot sizes in the same neighborhood code but with different land values (data provided to Tax Assessor).
- Standardize whether mobile homes with no land value should have a NBHD code or not (recommend not having one).
- Consider reallocating the number of parcels per NBHD code to ensure equity across the Town.
- Consider looking at a geographical overlay for the next property revaluation.

NOTE: Members of the Tax Exploration Committee are willing to assist with implementing these recommendations during the next revaluation cycle in 2026.

## Appendix I – Revaluation and Tax Rate Process

### Background:

- Per RI General Law 44-5-11.6, cities and towns are required to perform a statistical update every third and sixth year and a full property revaluation every nine years. A full update includes a physical inspection of every parcel. The assessment date is December 31st for the respective year.
- Middletown's most recent statistical update was December 31, 2023. The next assessment in 2026 will be a full property revaluation.

### 1. Notes from Vision Government Solutions Presentation – May 6, 2024

- The purpose of the revaluation is to correct disproportionate taxation. This is done by the following:
  - Adjusting value for market shifts
  - Capturing all new construction (new structures and additions to existing buildings)
  - Providing access to all information via computerized property files
- In 2024, only homes that were sold or had building work done were visited.
  - For new home sales, the market determines the value.
  - Not all neighborhoods had homes sold.
  - Land values are also adjusted if land is sold.
  - A drive by field review was done for all homes.
- Land values are based on location and can be adjusted for physical characteristics. Property values are based on comparable sales.
- Commercial values can be estimated using comparable sales and costs. Due to the limited number of sales, commercial valuations are often based on income and expense information. Both the Sales/Cost valuations should be in sync with the income valuation.
- ASR (assessment-to-sales ratio) is calculated to determine adjustments that are needed, i.e.,  $ASR < 1$  shows areas where assessments are less than the market value.
- The Town saw a significant change in median values since the last revaluation in 2021 (12/31/2020 statistical update).
- Neighborhood codes are used to group similar areas of town. Multipliers are used for the neighborhoods.

### 2. Middletown Residential Analysis

- Enclosed you will find sale ratio studies for residential properties reflecting changes based on sales between January 1, 2023 to December 31, 2023 for single family units, mobile homes, and condos and two years for all other classes due to the limited number of sales in a one-year period. The overall median increase was 48% for residential properties, Single Family properties at 49%, Condos 39%, Multi Family at

61%, and Mobile Homes at 96%. The ratios are based on a level of assessment of 93% of market value.

- The following breakdown provides the number of sales used in this analysis:

Land Use	No. of Sales	Time Period	ASR
Single Family	82	1 year	.93
Condo	17	1 year	.93
SF with Water Influence	15	2 years	.93
2 Units	16	2 years	.92
3 Units	0	2 years	0
4-5 Units	1	2 years	.95
Mobile Homes	7	1 year	.91
Land	11	2 years	.95
Indian Ave Waterfront	3	3 years	1.00

3. Field Card – Key Sections:

A. Current Owner

B. Current Assessment / Previous Assessment – property assessment summary

C. Appraised Value Summary

- Total Appraised Parcel Value may not always match the Total Assessment. This typically happens when a property is enrolled in the farm forest and open space program which reduces the appraised value of the land.
- The details of this reduction in land value will be shown in the Current Assessment section of the Field Card.

D. Building Permit and Visit/Change History – shows most recent building permits and the recent history of visits and changes made by Vision

E. Land Line Valuation Section:

- Lot values are derived from the market-based data. Since there are too few vacant land sales to draw conclusions about the value of developed land, a methodology called “land residual” is used. Using this method, the cost-based value of the structure(s) is taken from the sale price, resulting in a remaining value for the land. The square foot base rate is developed based on zoning districts or on the typical lot size of a given area. When the base lot area is identified, market data (i.e., land residuals) is plotted to develop a curve known as the “land curve.” The curve is intended to reflect market activity which typically indicates that land is not bought and sold on a square foot basis; rather, the square foot price decreases as the acreage increases. The curve also attempts to establish the extent to which a building lot which is undersized for its area will receive a higher price per square foot, but a lower total lot value.
- The land curve was increased by 155% based on nine land sales in 2022 and two land sales in 2023 (that were later changed due to new construction). The prime land assessment is based on 20,000 square feet (prime site) and excess land value

at \$15,000 per acre for all residential properties except for Indian Avenue waterfront, which was formerly calculated on a one-acre prime site at \$1.9 million with no neighborhood, which has been adjusted to \$3,000,000 per acre based on three older sales from 2021 and 2022. No sales were found in 2023. The second landline acre remains is \$1 million with no neighborhood with the excess acre at \$450,000.

Land Values (\$/square foot)		
Area	Old	New
1000	97.75	151.51
3000	45.61	70.70
5000	31.91	49.46
10,000	19.56	30.32
12,000	16.79	26.02
15,000	13.80	21.39
16,500	12.79	19.82
18,000	12.04	18.66
20,000	11.16	17.30
20,001	11.16	17.30
43560	5.55	8.60

1. If < 20,000 square feet, the number will come from the land curve with some examples shown in the table above.
  2. If > 20,000 square feet, initial 20,000 square feet is assessed at \$17.30 per square foot.
  3. Excess land is assessed at \$15K per acre.
  4. Neighborhood adjustment is made based on where you live.
  5. Example: 549 Turner Road = 0.8991 acre (1 acre =43,560 sq ft)
    - Initial 20,000 sq. ft. x \$17.30/sq ft x 1.05 (NBHD. Adj.) = \$363,300
    - Additional .440-acre x \$15,000 x 1.05 = \$6900 (\$6930 rounded down to \$6900)
    - Total land value = \$363,300 + \$6,900= \$370,200
- F. Building Value:
- The back side of the field card shows Construction Detail, including outbuildings (e.g., sheds, pools) and extra features (e.g., gas fireplaces, jacuzzi tubs, etc.). A diagram of the principal structure with the measurements used for the replacement cost calculation is also shown.
  - Sketch – The diagram of the principal structure shows outside dimensions. The different areas are identified by codes that are further described in the bottom left section of the card. In some cases, a diagram will not appear but a box with the code and square foot area will be used. Each part of the structure identified in the sketch will appear in the bottom left section of the property record card, showing

the Living Area, Gross Area, and Effective Area. Only the Effective Area is used in the assessment calculation. Primary living areas count as 100% of the gross area; all other spaces count at less than 100%.

- There is a lot of information on this side of the card, but there are four elements that can be considered the most important contributors to the structure value.
  - A. Effective Area – used for replacement cost of the building.
  - B. Style – determines base rate per square foot to build that style of building in Middletown, as adjusted based on the market analysis. For single family structures, there are sixteen basic styles. Each style has a corresponding “base rate” which is the current estimated new construction cost per square foot for this region of the country as reflected in the market. This information is obtained from the published construction industry data commonly used for this purpose, modified by the Middletown sales analysis.
  - C. Grade – quality of construction. This element is a measure of the construction quality, the types of materials used, and the quality of the workmanship. The grade of a house generally does not change unless major renovations take place. The exception to this is during a revaluation or system upgrade where there are significant changes to this and other tables.
  - D. Dep Code – normal physical depreciation based on the current condition of the structure.
- G. Outbuilding & Yard Items / Extra Features – Adds to the value of the property.
- H. Building Sub-Area Summary Section
  - Living area / Floor Area / Effective Area / Unit Costs – Sub-areas of a building are combined to generate an effective square footage for a property. Using effective square footage and a \$/sf multiplier allows one to attach contributory value to each component of the building. The CAMA system has a table of the percentages that are applied to each component of the building. Refer to the sub-area table from CAMA here:  
<https://docs.google.com/spreadsheets/d/1FnY2Npu0gFKZzmy90B3HLio95tziH2o/edit?usp=sharing&ouid=106047208676687605990&rtfpof=true&sd=true>.
- I. Cost/Market Valuation
  - Actual Year Built and Effective Year Built – The Effective Year Built is derived from the Actual Year Built according to the Depreciation Code. Very old structures may have been renovated over the years. Newer structures might have deteriorated beyond their normal wear and tear. This value is a judgment of the effective “age” of the structure for depreciation purposes. It is further refined based on the observed condition of the improvements, resulting from a field inspection. The condition is identified alphabetically and is linked to a depreciation table for consistency. Depreciation is a curve with minimum percentages for each level of condition below which no property would normally ever fall, displayed as Dep %. The Depreciation Codes are as follows:

Code	Description
A	Average
F	Fair
G	Good
P	Poor
RB	Rebuilt
VG	Very Good
VP	Very Poor

- The Building Value New is determined based on the Effective Area and the Building Rates, which vary based on the type of building.

Building Rates from the most recent assessment (12/31/2023):

Code	Style	Old Weight	New Weight	Change
01	Ranch	94	118	26
02	Split Level	98	106	8
03	Colonial	105	142	35
04	Cape	112	146	30
05	Bungalow	113	151	34
06	Conventional	134	202	51
07	Cntp/Modern	102	105	3
08	Raised Ranch	98	130	33
09	2 Family	111	188	69
10	Family Duplex	111	188	69
11	3 Family	125	185	48
20	Mobile Home	66	130	97
36	Camp	65	65	0
55	Condo	225	312	39
60	Estate	310	281	-9
63	Antique	160	250	56

- The extra features and outbuildings have their own lines in the value reconciliation. The difference between the Undepreciated Value and the Building Value New is a lump sum adjustment that the CAMA system applies for flat value and factor adjustments. It is applied to extra features which are adjusted for the overall quality of the property and is added to the undepreciated value of the structure.
- A second bathroom is recognized as having a contributory value of \$5,000 for an average home. However, in an example where the Grade of the home is judged

to be Avg/Good (05), a slight positive adjustment is applied to the \$5,000 contributory value. The factor is 1.21 and the lump sum adjustment is applied as  $\$5,000 \times 1.21 = \$6,050$ .

- This number is added to the undepreciated value, which is the reconciled value after the allocation of value to sub areas. A cost report explains the difference between the Undepreciated Value and the Building Value New.
- The combined value is then depreciated. (See sample cost report below.)
  - The top arrow shows how the math is applied. You see the whole calculation where the top arrow is. The lump sum calculations are calculated below where the other two arrows are. This adjustment is not reflected on the field card as it is lumped into the Building Value New.
- Then the combined value is depreciated at 14% to get the reconciled (RCNLD) value.
- You can see the application of the lump sum adjustment on the field card as the difference between the Building Value New (\$383,957) and the Undeprec Value (\$377,907).
- Total Appraised Building Value = Undepreciated Value + Unit Value Adjustments (e.g., second bathroom) \* depreciation.

### Tax Levy 4% Limit:

What is the 4% levy cap and how does that affect my tax bill?

Rhode Island General Law 44-5-2 limits the maximum increase in the tax levy each year. The tax levy is the total tax expected to be collected from all tax classes. This includes all real estate (residential, commercial, and industrial) and business personal property tax. The statute prohibits the total levy from exceeding a 4% increase over the levy from the prior year. This law is sometimes misunderstood to mean that an individual tax bill cannot increase 4% from the prior year; however, that is not the case.

Although the total levy is limited to a maximum increase of 4%, individual property values will fluctuate. During a revaluation, some properties will change more or less than others. If your property value increases more than the average or decreases less than the average, your tax bill will increase more than some other properties. It is also possible to see your bill increase less than others if your property value increases less than the average or decreases more than the average. Each year, after the tax roll is certified by the Tax Assessor, the levy certification will be posted online. It is also available at the Assessor's Office.

The 4% limit can be exceeded for several reasons, one of which is approved debt. The last two years the Town of Middletown exceeded the 4% Levy Limit due to the new middle/high school building project payments.

Setting the Mill Rate (thousandths of a dollar) for tax roll year 2024; assessment date 12-31-2023:

#### 2024 Tax Levy:

1. Total Gross Assessed Value: \$5,488,925,967
2. Total Exemption Value: (blind, senior, veteran, etc.): \$174,147,556
3. Total Net Assessed Value: \$5,314,778,411
4. Fiscal Budget: \$56,917,178.25
5. Tax Rates are determined to fund the budget, subject to <4% increase over prior year's tax levy, with some allowable exceptions, like payments of general obligation bonds.

Tax Exemptions / Tax Freeze / Tax Deferral:

- <https://www.middletownri.gov/325/Special-Tax-Relief-Programs>
- [https://codelibrary.amlegal.com/codes/middletown/latest/middletown\\_ri/0-0-0-1595](https://codelibrary.amlegal.com/codes/middletown/latest/middletown_ri/0-0-0-1595)

Other Relief Options:

- The Tax Assessor can provide relief when a homeowner appeals. The Tax Assessor brings a list of tax abatements to the Town Council for approval on a regular basis. Most

of these are for tax relief at the request of the homeowner for various reasons. If the appeal to the Tax Assessor is rejected, the appeal can be taken to the Board of Assessors for review.

Two Contributors to Changes in Taxes during 2024:

- Revaluation based on sales data increased similar type of structure (Style) values and land (NBHD) values.
- The TRTP program was modified, and it affected the taxes that some pay. The non-resident to resident tax rate difference was changed from 7.5% to 30%.

Assessment Date	Tax Year	Resident Rate	Non-Resident Rate	Commercial Rate	Tangible Rate	Non-Resident / Resident Rate
31-Dec-20	2021	\$12.02		\$17.23	\$17.23	
31-Dec-21	2022	\$12.02	\$12.91	\$17.85	\$17.85	1.074
31-Dec-22	2023	\$12.59	\$13.53	\$18.70	\$18.70	1.075
31-Dec-23	2024	\$8.66	\$11.26	\$12.98	\$18.70	1.300

Additional Information:

- Visit <https://middletownri.gov/899/Revaluation-2024> for recent revaluation details.

Sample Cost Report – 549 Turner Road

Cost.dat

OUTPUT FROM NEW COST MODELING ENGINE  
REPORT GENERATED ON 25-Feb-2025 AT 15:20

\*\*\*\*\*Building #1 Calc Start\*\*\*\*\*

Cost Calculation for pid, bid = 3072, 3072

Account Number = 201200146

Use Code = 1010

Cost Rate Group = SIN

Model ID: = P01

Section #1

Section Use: Single Fam MDL-01


Base Rate: 118.00

Size Adjustment: 0.99106

Effective Area: 2568

Adjusted Base Rate =  $(118.00 + 4.7200000000) * 0.99106$

Adjusted Base Rate: 121.62

RCN =  $((121.62 * 2568 + 5000.000) * 1.210) + 0$  

RCN: 383957


\*\*\*\*\*Base Rate Adjustments\*\*\*\*\*

AC TYPE 03 =  $4.72000000 + \text{BaseRate}$

\*\*\*\*\*Units Value Additions\*\*\*\*\*

FULL BATHS =  $5000.000 + \text{RCN}$  

\*\*\*\*\*Factor Adjustments\*\*\*\*\*

GRADE ADJUSTMENT 05 =  $1.210 * \text{RCN}$  

\*\*\*\*\*Depreciation Adjustments\*\*\*\*\*

REMODEL RATING =  $1.000 * \text{Depreciation}$

Actual Year Built: 1999

Effective Age = 14

Percent Good = 86

RCNLD \* Trending =  $330203 * 1$

RCNLD: 330200

\*\*\*\*\*