

Motor Vehicle Excise Tax and Reimbursement

In 1998 the General Assembly voted to implement a motor vehicle phase out plan. The current motor vehicle tax rate was frozen for each community – West Greenwich was at \$19.02 per thousand. (Providence was the highest at \$76.78 and New Shoreham was the lowest at \$9.75.) The State agreed to exempt a portion of the motor vehicle value and pay that back in quarterly installments to each community based on their tax rate. Each year the exemption was to increase until it eliminated the motor vehicle tax in its entirety. However as the reimbursement amount grew (\$134,000 million currently), the State found it was unable to meet its obligation.

Motor vehicles are assessed according to the number of days they are owned during a particular year. If your car is valued at \$16,000 and you owned it for 365 days, you are taxed on the total value. If you owned it for 6 months of the year, you would be taxed on half the value (\$8,000). The exemption is figured the same way. The exemption last year was \$6,000. So a \$16,000 car registered for 365 days would be taxed on \$10,000 equaling \$190.20 in taxes with the State reimbursing the Town for \$114.12. The assessment on a car owned for 6 months of the year would be taxed on half the value (\$8,000) less half the exemption (\$3,000) equaling taxes of \$95.10 and a State reimbursement to the Town of \$57.06.

For the upcoming tax roll, the State has lowered the exemption from \$6,000 to \$500. The Town is assuming we will not receive any reimbursement for next year.

What does this mean to you, the tax payer? You did not receive taxes on cars that were valued under \$6,000 in the past. You will receive a tax bill for any cars valued over \$500 for the upcoming tax roll. Furthermore, the Town will be losing approximately \$550,000 in reimbursement from the State in the upcoming year. Much of that loss will be made up in the increased motor vehicle tax. However, in order to meet budget requirements, the Town is forced to raise property taxes to just under the maximum allowable levy cap (4.49%).

The increase you can expect this year assuming a car is registered for 365 days:

Car Value	Tax with \$6,000 exemption	Tax with \$500 exemption
5,000	0	85.59
10,000	76.08	180.69
15,000	171.18	275.79
20,000	266.28	370.89
25,000	361.38	465.99
30,000	456.48	561.09