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## City of Providence, Rhode Island Office of the Internal Auditor

October 23, 2013

Councilman David A. Salvatore  
Chairman, Ways & Means Committee  
City of Providence  
25 Dorrance Street  
Providence, RI 02903

Dear Chairman Salvatore:

In attempt to determine the fiscal impact of the proposed change to the issuance of an owner occupied tax rate to buyers of properties during a tax year that are classified as non-owner occupied, property transfers occurring during calendar year 2011 were reviewed. It was decided that data from calendar 2011 would be utilized because activity in calendar 2012 surrounding the requirement that all property owners reapply for the homestead exemption might skew the data.

According to data received from the Assessor's Office, a total of 2,538 property transfers occurred during calendar 2011. Below is summary of these property transfers including the tax gain or loss based on complete tax year.

Property Transfers - Calendar 2011		
# of Transfers	Description of Property Transfer	Tax Gain/(Loss)
6	Non-owner to Exempt	(\$18,853)
392	Non-owner to Owner Occupied	(\$1,090,408)
4	Owner Occupied to Exempt	(\$10,678)
412	Owner Occupied to Non-owner	\$961,722
820	Owner Occupied to Owner Occ	\$0
904	Non-owner to Non-owner	\$0

It is not possible to know when property transfers will occur each year. Therefore, it is reasonable to assume that the financial impact of the proposed change would be fifty percent of the totals shown above. It is important to note that the number of properties that transferred from owner occupied to non-owner occupied (412) in calendar 2011 is inflated due the high number of foreclosures (290) that occurred that year.

Chairman David Salvatore

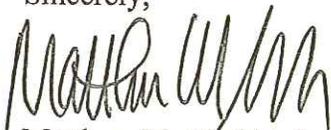
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For the period January 1, 2013 through July 31, 2013, there were 768 transfers of owner occupied properties but only 28 were due to foreclosure. The net gain in taxes from those 28 properties based upon the actual transfer dates will be \$32,325.

While the precise financial impact of the proposed amendment is unknowable, it is certain that if the amendment is implemented "upon passage" there will be a negative financial impact on the city's year budget.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew M. Clarkin, Jr.", written in a cursive style.

Matthew M. Clarkin, Jr.  
Internal Auditor

Cc: Members of the Ways & Means Committee