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New Rhode Island Tax on Non-Owner-Occupied Properties Assessed at $1 Million or More

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Rhode Island’s 2026 budget bill contains a "Non-Owner-Occupied Property Tax Act," which is popularly referred to as the “Taylor Swift Tax.” This law imposes a new statewide tax on non-owner-occupied residential properties with assessed values of $1 million or more.

The tax applies to owners of residential properties that meet the following criteria:

1. The property must have an assessed value of $1 million or more as of December 31 of the tax year
2. The property must not serve as the owner's primary residence
3. The owner must not occupy the property for a majority of days during the tax year.

The tax rate is set at $2.50 for each $500 of assessed value above $1 million. For example, a property assessed at $1.2 million would incur an annual tax of $1,000, while a property assessed at $2 million would face a $5,000 annual tax, and a $3 million property would be subject to $10,000 annually.

Beginning July 1, 2027, the $1 million threshold will be adjusted annually based on the Consumer Price Index for All Urban Consumers (CPI-U), with adjustments compounded annually and rounded up to the nearest $5 increment, though the threshold can never decrease from the prior year.

There are important exemptions that property owners should carefully consider. For instance, the tax does not apply to properties that are rented for more than 183 days during the prior tax year and are subject to Rhode Island's landlord-tenant law. Property owners will have certain appeal rights and procedures available to challenge the tax.

The legislation also imposes significant record-keeping requirements on property owners. Property owners must maintain records necessary to determine tax liability for three years following the filing of any required return or until any litigation or prosecution is resolved.

Required records include rental agreements, rent payments, bank statements for residential expenses, utility bills, and any other records establishing residency or non-residency. These records must be made available for inspection by the tax administrator or authorized agents upon demand during reasonable business hours.

This law represents a significant development in Rhode Island property taxation and will substantially impact investment property owners, vacation homeowners, and others holding non-owner-occupied residential real estate. Property owners should consult with legal and tax professionals to assess the specific impact on their holdings and develop appropriate compliance and planning strategies.

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