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This is Why We Can't Have Nice Things: "Taylor Swift Tax" on Rhode Island Vacation Homes

A new tax may impact homeowners with secondary or vacation homes in Rhode Island beginning on July 1, 2026. While this new legislation lacks clarity and will require interpretation over time, it is important for homeowners to be aware of its potential effects. This article highlights the key provisions of the Non-Owner Occupied Property Tax Act (the "Act"), including its applicability and exceptions.

Commonly referred to as the "Taylor Swift Tax," due to the singer's home in the Ocean State, the Act, enacted through Rhode Island's budget bill for the fiscal year beginning on July 1, 2025, and ending on June 30, 2026, imposes an additional property tax on all non-owner occupied real property with an assessed value exceeding \$1,000,000, to be determined as of December 31 of the corresponding tax year by the assessors in each town or city. This is the same assessment valuation used for annual property tax calculation purposes. Beginning July 1, 2027, the \$1,000,000 threshold will be adjusted and compounded annually but will not decrease from any prior year.

The Act targets high-end vacation homes and imposes a surcharge on owners of secondary residences that are empty for over half the year.

The bill was passed by the Rhode Island House of Representatives on June 17, 2025, and by the Rhode Island Senate on June 20, 2025. Although Rhode Island Governor Dan McKee did not sign the state budget bill, he did not veto it, allowing the bill to become law on June 29, 2025.

Key Provisions of the Act

Applicability: A property is deemed non-owner occupied and the tax applies if (i) the assessed value of the property exceeds \$1,000,000, and (ii) the owner does not occupy the property for a majority of the days during the taxable year (July 1 – June 30).

Exception: The tax does not apply to properties rented for more than 183 days during the prior taxable year, whether through long-term leases or short-term rentals through platforms such as Airbnb.

Tax Calculation: A \$2.50 tax will be assessed for each \$500, or fraction thereof, over \$1,000,000. For example, if the property is assessed at \$1,500,000 the tax would be \$2,500. A penalty tax of ten percent (10%) applies for failure to pay the tax due to negligence or intentional disregard of the tax law. Interest will accrue on any unpaid amounts.

Payment Schedule: The tax must be paid in four equal installments due on the 15th of September, December, March and June.

Recordkeeping Requirements: The Act imposes weighty record keeping requirements on property owners. Property owners must retain relevant records for at least three years, or until the conclusion of any related litigation or prosecution, whichever period is longer. Such records may include rental agreements, rent payment documentation, bank statements showing residential expense payments, utility bills and any other records supporting claims of residency or non-residency.

Conclusion

This new tax raises several questions, including how the Rhode Island legislature will interpret terms such as "owner" and "occupy" within the statute. Further clarification will be needed, and it is possible that one or more property owners may challenge the constitutionality of the law.

As this new law develops, Day Pitney attorneys are closely monitoring its interpretation and will continue to provide clients with updates and guidance as new information becomes available.

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