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Rhode Island to Implement Major Hike in Property Transfer Tax Starting July 2026

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Rhode Island lawmakers have approved a sharp increase in the state's real estate transfer tax, which will take effect on July 1, 2026. As part of the newly passed \$13.9 billion fiscal year 2026 budget, the transfer tax paid by property sellers will jump by 63 percent, raising the rate from \$2.30 to \$3.75 for every \$500 of the property's sale price. The new rate applies to all real estate sales across the board, residential and commercial, regardless of the transaction value.

This significant tax hike was included in the budget passed by the Rhode Island House of Representatives on June 17, 2025. Unlike previous tiered tax structures, where only certain high-value residential properties were subject to higher rates, the new tax will be uniformly applied across all property sales in the state.

Since 2022, Rhode Island has imposed an additional transfer tax on residential properties sold for more than \$800,000. Under that rule, the portion of a property's sale price above \$800,000 was taxed at an extra \$2.30 per \$500, in addition to the standard rate. The upcoming changes in 2026 will sharply increase that additional tax as well. The rate on the portion of a high-end residential sale exceeding \$800,000 will go up by \$3.75 per \$500, bringing the total rate on that portion to \$7.50 per \$500.

For example, a \$1 million home sale would previously be taxed at the standard rate for the first \$800,000 and at the higher \$2.30 rate for the remaining \$200,000. Come July 2026, that same \$200,000 portion will face a much steeper charge, resulting in noticeably higher transaction costs for sellers in the upper tier of the market.

According to the budget plan, the additional revenue from the tax hike is earmarked to support state housing initiatives. Funds will be directed toward expanding services for the homeless, increasing affordable housing stock, and backing low-income housing tax credit programs. These priorities signal the state's ongoing response to Rhode Island's persistent housing affordability crisis.

While the state government frames this as a move to tackle housing instability, real estate professionals and property owners are urged to closely examine how this may impact deals moving forward. The timing of the change, set to begin in the third quarter of 2026, gives stakeholders some runway to assess and restructure transactions before the new costs kick in.

Critics of the move warn that significantly raising transaction costs might create unintended consequences in the housing market, potentially discouraging investment or slowing down sales, especially in higher-value segments. Those involved in commercial real estate deals may also feel the pressure, as the higher tax will not be limited to residential properties.

The budget, passed by a Democrat-led legislature, reflects a broader trend in several states where property-related taxes are being used as levers to fund social programs. However, in a state like Rhode Island, where housing costs and demand remain a concern, some are

questioning whether heavier taxes will help or hinder the long-term health of the real estate market.