



Rhode Island Department of Revenue
Division of Taxation

Via Electronic Mail

April 11, 2024

The Honorable Marvin L. Abney
Chair, House Committee on Finance
Rhode Island State House
Providence, RI 02903

RE: Letter Regarding House Bill 7680 – An Act Relating to Taxation – Estate and Transfer Taxes – Liability and Computation

Dear Chair Abney:

I am writing on behalf of the Rhode Island Department of Revenue, Division of Taxation (“Division”), to: i) express concerns regarding issues with proposed House Bill 7680 as currently drafted; ii) explain the background and current statutory context in order to clarify the intended and unintended consequences of this bill; and iii) make recommendations and request your support in implementing those recommendations.

This letter is not intended as a position in support of or opposition to the bill, but only as recommendations on drafting to provide clarity in the bill and to aid tax administration and compliance.

As you know, this bill would amend R.I. Gen. Laws § 44-22-1.1, entitled “Tax on net estate of decedent” to set the net taxable estate exemption to the applicable estate tax exemption for decedents whose death occurs on or after January 1, 2025. In addition, starting on January 1, 2025, and each January 1 thereafter, the bill would phase in an annual increase of the net taxable estate exemption by ten percent (10%) per year until the state exemption equals the federal exemption. The bill is set to take effect upon passage.

There are several potential issues with the bill that impact tax administration, including, but not limited to:

- It is unclear if the bill’s intent is to impose a state estate tax only on estates that exceed the federal net taxable estate exemption. The Division respectfully requests that the bill be redrafted to provide that clarity.
- Assuming the bill’s intent is to set the net taxable estate exemption to the applicable federal net taxable estate tax exemption, the current federal exemption amount is set to expire on December 31, 2025, and starting January 1, 2026, the exemption amount will revert back

to roughly half its existing value. The current language of the bill is incompatible with that event.

- The bill as drafted is inconsistent with the administration of the estate tax. As such, the bill is not administrable, and the Division respectfully requests that the language be revised to align with how the tax is administered.
- As the federal deduction limitation and the Division's tax credit are both indexed for inflation, it is not possible to have an annual increase of the net taxable estate exemption by ten percent (10%).

The Division takes no position with respect to the remainder of the proposed legislation. Rather, the Division is concerned solely with the issues of clarity, tax compliance, and tax administration. As such, the Division respectfully suggests that the bill be redrafted for clarity.

I look forward to working with you to address the issues raised in this letter and appreciate your consideration.

Very truly yours,



Neena S. Savage
Tax Administrator

cc: The Honorable Members of the House Committee on Finance (via:
HouseFinance@rilegislature.gov)
The Honorable Brian J. Rea (rep-rea@rilegislature.gov)
Nicole McCarty, Esquire, Chief Legal Counsel to the Speaker of the House
Lynne Urbani, Director of House Policy
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