

DI  **R** **Rhode Island Department of Revenue**
Division of Taxation

Via Electronic Mail

May 23, 2024

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

RE: Letter Regarding House Bill 7487 – 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 7487 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 add subsection (a)(5), which would impose the estate and transfer tax on net taxable estates of a decedent that exceed \$4,000,000 for decedents whose death occurs on or after January 1, 2025.

The Division has significant implementation concerns with the bill as drafted. Most significantly, the bill imposes a tax only if the net taxable estate exceeds \$4,000,000 rather than creating a credit equal to the tax if the estate exceeds that amount. This structure contravenes the current estate tax structure and may not be the intent based on the Explanation by the Legislative Council for the bill, which seeks to “increase the net taxable estate exemption to [\$4,000,000].” Further, based on the bill as drafted, there is no taxability under \$4,000,000, but does not address the mechanics for how a taxable estate under \$4,000,000 would not owe taxes (i.e. there is no credit mechanism). Finally, it appears that the intent may have been to apply the CPI-U to the \$4,000,000 threshold rather than the credit as currently reflected in the bill; this may have been a drafting error.

Additionally, the bill takes effect upon passage and as currently drafted, applies to estates for decedents whose death occurs on or after January 1, 2025. The Division respectfully requests that the effective date also be January 1, 2025 to align with the application to avoid potential confusion for taxpayers. Tax legislation which takes effect during the 2024 calendar year – particularly the first part of the calendar year – might lead taxpayers and others to conclude that the proposed amendment in Section 1 of House Bill 7487 applies during the current year. That would lead to errors in filing and processing, which could, in turn, lead to substantial tax consequences. underpayment penalties and interest, as well as the need for preparing and filing amended returns.

The Division believes that aligning the effective date as set forth above would make it clear to taxpayers, tax preparers, and tax software providers that the proposed amendment would not apply to estates with decedents whose dates of death occur in 2024. Setting the effective date at a future point would also provide taxpayers, tax preparers, tax software providers, and the Division sufficient time to plan ahead.

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 Gregory J. Constantino (via: rep-costantino@rilegislature.gov)
Nicole McCarty, Esquire, Chief Legal Counsel to the Speaker of the House
Lynne Urbani, Director of House Policy
Thomas A. Verdi, Director, Department of Revenue