



1800 Mineral Spring Ave
Suite 271
North Providence, RI 02904
877-262-7662
NFIB.com

**Testimony of
Christopher Carlozzi, NFIB State Director
In Support of House Bill No. 7487
An Act Relating to Taxation – Estate and Transfer Taxes – Liability and Computation
Before the House Committee on Finance
May 23, 2024**

Chairman Abney and Members of the House Committee on Finance:

My name is Christopher Carlozzi. I am the Rhode Island State Director for NFIB. A non-profit, non-partisan organization, NFIB is the nation's and our state's largest small business advocacy group. In Rhode Island, NFIB represents hundreds of small and independent business owners involved in all types of industry, including manufacturing, retail, wholesale, service, and agriculture. The average NFIB member has five employees and annual gross revenues of about \$450,000. NFIB represents the small Main Street business owners from throughout Rhode Island. On behalf of those small and independent business employers, I urge you to support House Bill No. 7487, increasing the estate tax exemption to \$4 million.

House Bill No. 7487 increases the estate tax exemption to \$4 million. As you know, Rhode Island currently is one of only 12 states that still collects an estate tax. In addition, only one state has an exemption lower than Rhode Island (Oregon) now that Massachusetts increased their estate tax exemption to \$2 million. This vital tax reform will continue Rhode Island on the path to a sensible and productive estate tax policy by addressing the inequities, specifically the illiquidity of a large portion their assets, that small business owners face.

In calculating the cost or revenue impact of this tax change, it is important to realize that this change in the law would likely result in the retention of many high-income taxpayers and their estates in Rhode Island. During their lifetimes, they would be paying Rhode Island sales and income taxes. The net loss of revenue would be substantially less than static analysis would predict. If the change in the law resulted in the retention of more estates in Rhode Island, the increase to the estate tax exemption could pay for itself.

Rhode Island must continue on the track to a more equitable estate tax to compete with other states. Rhode Island cannot afford to be an outlier as one of only 12 states with an estate tax and one of the worst exemptions in the nation. Despite some past progress – the enactment of a higher exemption -- the Ocean State's estate tax continues to be cited as one reason for Rhode Island's poor ratings in

studies comparing the state's business climate with other states. Estate tax reform remains a major issue for small business owners.

By raising the exemption, House Bill No. 4787 begins to address the inherent inequity of the estate tax to small business owners and farmers, whose assets are tied up in land, buildings, equipment, and other non-liquid assets. Much of the assets of a small business are not readily available to pay taxes at the owner's death. As a result, estate tax liability can adversely impact the owner's family as well as employees and their families. In Rhode Island, the solution is often to move out of state prior to death, robbing the state of jobs and talent and revenue. This proposal recognizes that the estate tax can force families of deceased small business owners and farmers to make difficult business decisions due to the nature of the illiquid assets. Increasing the exemption reduces the financial pressure to convert agricultural land to non-farm use and generally mitigate the unique issues that the estate tax presents to farmers and business owners by making the estate tax a non-issue for more small business owners and farmers.

I urge you to support this increase of the estate tax exemption to reduce the inequity faced by those who own their own business. Thank you.