



State Fiscal Note for Bill
Number: 2013-H-5307

Date of State Budget Office Approval:
Date Requested: Monday, February 18, 2013
Date Due: Thursday, February 28, 2013

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2013	n/a	FY 2013	n/a
FY 2014	n/a	FY 2014	indeterminable
FY 2015	n/a	FY 2015	indeterminable

Explanation by State Budget Office: This act would exclude "real estate used for farming for at least the next ten (10) years" after the death of the decedent from the full and fair cash value of a decedent's estate when determining the value of the decedent's net estate that would be subject to the tax imposed by Rhode Island General Law Chapter 44-22 titled "Estate and Transfer Taxes – Liability and Computation". The excluded farmland can only be used for farming. If the excluded farmland is not used for farming, then the State would have the authority to enforce this restriction in Superior Court.

Comments on Sources of Funds: All estate and transfer taxes (also known as inheritance and gift taxes) are considered to be general revenues.

Summary of Facts and Assumptions: The act takes effect upon passage. The Office of Revenue Analysis (ORA) assumed that the provisions of the act would be applicable to the estates of decedents whose death occurs after January 1, 2014.

The Office of Revenue Analysis is unable to determine the fiscal impact of the act. It should be noted, however, that the Division of Taxation did look into the number of Rhode Island taxpayers that filed a federal Form 1040 Schedule F Profit or Loss From Farming for TY 2009 and the estate tax returns received in TY 2009 through TY 2012 and found that 10 Rhode Island taxpayers who had reported farm income in TY 2009 had passed away by TY 2012. According to the Division of Taxation, by using the special valuation method afforded to decedent's whose estate includes farmland at the federal level none of the estates of these 10 decedents owed Rhode Island estate and transfer taxes. Thus, it appears that current federal estate tax law as it pertains to farm valuation is providing some relief to the estates of decedents that include farmland.

ORA forecasts that passage of the act would reduce estate and transfer tax revenues by an unknown amount in FY 2014 and FY 2015. The Governor's FY 2014 Recommended Budget projects a surplus of \$1.3 million in FY 2014 and a deficit of \$170.5 million in FY 2015. Passage of the act could put the Governor's FY 2014 Recommended Budget out of balance in FY 2014 and increase the projected deficit for FY 2015

Summary of Fiscal Impact: FY 2013: Not applicable given the assumption of a January 1, 2014 implementation date.

FY 2014: An indeterminable revenue loss is forecast.

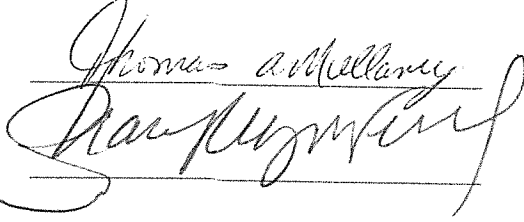
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FY 2015: An indeterminable revenue loss is forecast.

Budget Office Signature:



Fiscal Advisor Signature:

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