



**State Fiscal Note for Bill  
Number: 2023-S-0526**

**Date of State Budget Office Approval:** Thursday, April 20, 2023

**Date Requested:** Thursday, March 16, 2023

**Date Due:** Sunday, March 26, 2023

**Impact on Expenditures**

FY 2023 N/A  
FY 2024 N/A  
FY 2025 N/A

**Impact on Revenues**

FY 2023 \$(30,917)  
FY 2024 \$(2,934,680)  
FY 2025 \$(7,882,536)

**Explanation by State Budget Office:**

This bill would amend Rhode Island General Laws (R.I. Gen Laws) Chapter 44-22 entitled "Estate and Transfer Taxes – Liability and Computation" by adding to R.I. Gen. Laws § 44-22-1.1 titled "Tax on net estate of decedent" subsection 44-22-1.1(a)(5). This section proposes to set the net taxable estate exemption to \$1,648,611 for decedents whose death occurs on or after January 1, 2024. In addition, starting January 1, 2025, and each January 1 thereafter, the bill proposes to phase in an annual increase of the net taxable estate exemption over an eight-year period until the state exemption equals the federal exemption.

Under current law, decedents whose death occurs on or after January 1, 2015 are entitled to a credit against estate taxes owed in the amount of \$64,400 with this credit amount indexed to inflation as measured by the CPI-U as of September 30 of the prior calendar year. The \$64,400 credit amount is equivalent to an exemption amount of \$1,500,000 for a net taxable estate, above which the estate and transfer tax is applied. The following are the estate and transfer tax credit amounts and equivalent exemption amounts for decedents whose date of death is:

- On or after January 1, 2015 but before January 1, 2016: \$64,400 or \$1,500,000;
- On or after January 1, 2016 but before January 1, 2017: \$64,400 or \$1,500,000;
- On or after January 1, 2017 but before January 1, 2018: \$65,370 or \$1,515,156;
- On or after January 1, 2018 but before January 1, 2019: \$66,810 or \$1,537,656;
- On or after January 1, 2019 but before January 1, 2020: \$68,350 or \$1,561,719;
- On or after January 1, 2020 but before January 1, 2021: \$69,515 or \$1,579,922;
- On or after January 1, 2021 but before January 1, 2022: \$70,490 or \$1,595,156;
- On or after January 1, 2022 but before January 1, 2023: \$74,300 or \$1,648,611;
- On or after January 1, 2023 but before January 1, 2024: \$80,395 or \$1,733,264.

**Comments on Sources of Funds:**

Estate and transfer taxes are general revenues.

**Summary of Facts and Assumptions:**

The effective date of the bill is upon passage, but the provisions of the bill apply to the net taxable estates of decedents who die on or after January 1, 2024.

The Office of Revenue Analysis (ORA) found several concerns with the bill. First, as drafted, the bill proposes to impose the estate and transfer tax on net taxable estates of a decedent that exceed \$1,648,611 for decedents whose death occurs on or after January 1, 2024. Under current law, the proposed \$1,648,611 exemption amount already applies to decedents whose death occurred on or after January 1, 2022, and

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\$10,704,126 in CY 2026 with a \$4,123,364 exemption amount, a cash receipts loss of \$12,550,308 in CY 2027 with a \$4,841,099 exemption amount, a cash receipts loss of \$15,098,601 in CY 2028 with a \$5,574,433 exemption, and a cash receipts loss of \$15,098,601 in CY 2029 with a \$5,990,858 exemption. There is an estimated cash receipts loss of \$17,758,601 in each CY 2030 through 2032 with an exemption amounts of \$6,117,697, \$6,250,792, and \$6,387,382, respectively. The \$17,758,601 is the maximum potential cash receipts loss based on the data provided for CY 2022.

To calculate the cash impacts by fiscal year, ORA took half of each calendar year that occurs in that fiscal year. For example, the FY 2024 cash impact is half of the CY 2024 cash impact ( $\$82,445 \times 0.5 = \$41,223$ ) and the FY 2025 cash impact is half of the CY 2024 and the CY 2025 impacts ( $\$82,445 \times 0.5 + \$7,716,366 \times 0.5 = \$3,899,406$ ).

Although FY 2023 would have no estate and transfer tax cash receipts impact, the FY 2023 estate and transfer tax net accrual would be affected given that 75% of FY 2024 collections are included as a receivable for FY 2023 revenue. To calculate a FY 2023 revenue loss of \$30,917, ORA took 75% of the FY 2024 revenue loss ( $\$41,223 \times 0.75$ ). The FY 2024 revenue loss estimate of \$2,934,860 is made up of 25% of the FY 2024 cash loss estimate and 75% of the FY 2025 cash loss estimate ( $\$41,223 \times 0.25 + \$3,899,406 \times 0.75$ ). This was repeated for the subsequent fiscal years.

Although this fiscal note does not cover fiscal years beyond 2025, it should be clear that the increase in the estate and transfer tax exemption amount by one-eighth of the federal transfer tax exclusion each subsequent year will have a larger impact in FY 2026 and beyond as more estates become subject to the higher exemption amounts. Eventually, the estate and transfer tax will be phased out completely.

Summary of Fiscal Impact:

FY 2023: A general revenue loss of \$30,917 is forecast.

FY 2024: A general revenue loss of \$2,934,860 is forecast.

FY 2025: A general revenue loss of \$7,882,536 is forecast.

FY 2026: A general revenue loss of \$11,022,974 is forecast.

FY 2027: A general revenue loss of \$13,275,145 is forecast.

FY 2028: A general revenue loss of \$14,780,065 is forecast.

FY 2029: A general revenue loss of \$16,096,101 is forecast.

FY 2030: A general revenue loss of \$17,426,101 is forecast.

FY 2031: A general revenue loss of \$17,758,601 is forecast.

Budget Office Signature:

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