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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2019

A N A C T

RELATING TO TAXATION - ESTATE AND TRANSFER TAXES

Introduced By: Representatives Quattrocchi, Nardone, Place, Lyle, and Price

Date Introduced: February 06, 2019

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Chapter 44-22 of the General Laws entitled "Estate and Transfer Taxes -  
2 Liability and Computation" is hereby repealed in its entirety.

3 ~~CHAPTER 44-22~~

4 ~~Estate and Transfer Taxes—Liability and Computation~~

5 ~~44-22-1. Tax on net estate of decedents—Additional tax on postponed enjoyment—~~

6 ~~Deductions—Marital deduction.~~

7 ~~(a) A tax is imposed upon the transfer of the net estate of every resident or nonresident~~  
8 ~~decedent as a tax upon the right to transfer. The tax is imposed at the rate of two percent (2%)~~  
9 ~~upon all amounts not in excess of twenty five thousand dollars (\$25,000); at the rate of three~~  
10 ~~percent (3%) upon all amounts in excess of twenty five thousand dollars (\$25,000) and not~~  
11 ~~exceeding fifty thousand dollars (\$50,000); at the rate of four percent (4%) upon all amounts in~~  
12 ~~excess of fifty thousand dollars (\$50,000) and not exceeding one hundred thousand dollars~~  
13 ~~(\$100,000); at the rate of five percent (5%) upon all amounts in excess of one hundred thousand~~  
14 ~~dollars (\$100,000) and not exceeding two hundred fifty thousand dollars (\$250,000); at the rate of~~  
15 ~~six percent (6%) upon all amounts in excess of two hundred fifty thousand dollars (\$250,000) and~~  
16 ~~not exceeding five hundred thousand dollars (\$500,000); at the rate of seven percent (7%) upon~~  
17 ~~all amounts in excess of five hundred thousand dollars (\$500,000) and not exceeding seven~~  
18 ~~hundred fifty thousand dollars (\$750,000); at the rate of eight percent (8%) upon all amounts in~~  
19 ~~excess of seven hundred fifty thousand dollars (\$750,000) and not exceeding one million dollars~~

1 ~~(\$1,000,000); at the rate of nine percent (9%) upon all amounts in excess of one million dollars~~  
2 ~~(\$1,000,000). An additional tax is imposed at the rate of two percent (2%) upon all or any part of~~  
3 ~~each estate devised, bequeathed, or conveyed in such manner that it becomes necessary to~~  
4 ~~postpone the assessment of taxes imposed by this chapter until the person entitled to the estate~~  
5 ~~comes into beneficial enjoyment or possession of the estate; and provided, further, that an~~  
6 ~~additional tax is not assessed and collected, as provided in §§ 44-23-9—44-23-12, in case a~~  
7 ~~settlement of taxes is effected under the provisions of § 44-23-25.~~

8 ~~(b) In computing the value of the net estate in subsection (a) of this section, there is~~  
9 ~~deducted from the estate and exempted from the tax twenty five thousand dollars (\$25,000).~~

10 ~~(c) In computing the value of the net estate in subsection (a) of this section, there is~~  
11 ~~deducted from the estate and exempted from the tax all property or interests transferred to any~~  
12 ~~corporation, association, or institution located in Rhode Island which is exempt from taxation by~~  
13 ~~charter or under the laws of this state; or to any corporation, association, or institution located~~  
14 ~~outside of this state, which if located within this state, would be exempt from taxation; provided,~~  
15 ~~that the state of domicile of the corporation, association, or institution allows a reciprocal~~  
16 ~~exemption to any similar Rhode Island corporation, association, or institution; or to any person in~~  
17 ~~trust for the same or for use by the same for charitable purposes; or to any city or town in this~~  
18 ~~state for public purposes.~~

19 ~~(d) In computing the value of the net estate in subsection (a) of this section, there is~~  
20 ~~deducted from the estate and exempted from the tax United States civil and federal military~~  
21 ~~service annuity payments.~~

22 ~~(e) In computing the value of the net estate in subsection (a) of this section, there is~~  
23 ~~deducted from the estate and exempted from the estate tax a marital deduction, as defined in 26~~  
24 ~~U.S.C. § 2056, in the amount of one hundred seventy five thousand dollars (\$175,000), from~~  
25 ~~property or beneficial interests which pass or have passed from the decedent to the surviving~~  
26 ~~spouse, but only to the extent that the interests are included in determining the value of the gross~~  
27 ~~estate.~~

28 ~~(f)(1) In computing the value of the net estate in subsection (a) of this section, there is~~  
29 ~~deducted from the estate and exempted from the estate tax, an orphan's deduction, provided, that:~~  
30 ~~(i) the decedent does not have a surviving spouse, and (ii) the decedent is survived by a minor~~  
31 ~~child who, immediately after the death of the decedent, has no known parent, an amount equal to~~  
32 ~~the value of any interest in property which passes or has passed from the decedent to the child,~~  
33 ~~but only to the extent that the interest is included in determining the value of the gross estate. The~~  
34 ~~aggregate amount of the deductions allowed under this section (computed without regard to this~~

1 ~~subsection) with respect to interests in property passing to any minor child shall not exceed an~~  
2 ~~amount equal to five thousand dollars (\$5,000) multiplied by the excess of twenty one (21) over~~  
3 ~~the age (in years) which the child has attained on the date of the decedent's death.~~

4 ~~(2) For purposes of this subsection, any term used in the subsection has the same meaning~~  
5 ~~as when used in a comparable context in 26 U.S.C. § 2057 unless a different meaning is clearly~~  
6 ~~required.~~

7 ~~(g) Notwithstanding any other provisions of this chapter, the total estate tax payment on~~  
8 ~~account of the estate of a decedent whose death occurs on or after January 1, 1986, is that~~  
9 ~~percentage of the estate tax which would be payable under this chapter determined in accordance~~  
10 ~~with the following schedule:~~

11 ~~(1) Death prior to January 1, 1987. Ninety percent (90%) in the case of decedents whose~~  
12 ~~deaths occur on or after January 1, 1986, and prior to January 1, 1987;~~

13 ~~(2) Death prior to January 1, 1988. Eighty percent (80%) in the case of decedents whose~~  
14 ~~deaths occur on or after January 1, 1987, and prior to January 1, 1988;~~

15 ~~(3) Death prior to January 1, 1989. Sixty percent (60%) in the case of decedents whose~~  
16 ~~deaths occur on or after January 1, 1988, and prior to January 1, 1989;~~

17 ~~(4) Death prior to January 1, 1990. Forty percent (40%) in the case of decedents whose~~  
18 ~~deaths occur on or after January 1, 1989, and prior to January 1, 1990;~~

19 ~~(5) Death prior to June 1, 1990. Twenty percent (20%) in the case of decedents whose~~  
20 ~~deaths occur on or after January 1, 1990, and prior to June 1, 1990;~~

21 ~~(6) Death prior to January 1, 1992. Forty percent (40%) in the case of decedents whose~~  
22 ~~deaths occur on or after June 1, 1990, and prior to January 1, 1992.~~

23 ~~(7) Death on or after January 1, 1992. The estate tax payable on or account of the estate~~  
24 ~~of a decedent whose death occurs on or after January 1, 1992, is determined in accordance with §~~  
25 ~~44-22-1.1.~~

26 ~~(h) The estate tax payable under this section shall in no event be less than the estate tax~~  
27 ~~due under § 44-22-1.1, computed without regard to the date of death.~~

28 **44-22-1.1. Tax on net estate of decedent.**

29 ~~(a)(1) For decedents whose death occurs on or after January 1, 1992, but prior to January~~  
30 ~~1, 2002, a tax is imposed upon the transfer of the net estate of every resident or nonresident~~  
31 ~~decedent as a tax upon the right to transfer. The tax is a sum equal to the maximum credit for~~  
32 ~~state death taxes allowed by 26 U.S.C. § 2011.~~

33 ~~(2) For decedents whose death occurs on or after January 1, 2002, but prior to January 1,~~  
34 ~~2010, a tax is imposed upon the transfer of the net estate of every resident or nonresident~~

1 ~~decedent as a tax upon the right to transfer. The tax is a sum equal to the maximum credit for~~  
2 ~~state death taxes allowed by 26 U.S.C. § 2011 as it was in effect as of January 1, 2001; provided,~~  
3 ~~however, that the tax shall be imposed only if the net taxable estate shall exceed six hundred~~  
4 ~~seventy five thousand dollars (\$675,000). Any scheduled increase in the unified credit provided~~  
5 ~~in 26 U.S.C. § 2010 in effect on January 1, 2001, or thereafter, shall not apply.~~

6 ~~(3) For decedents whose death occurs on or after January 1, 2010, and prior to January 1,~~  
7 ~~2015, a tax is imposed upon the transfer of the net estate of every resident or nonresident~~  
8 ~~decedent as a tax upon the right to transfer. The tax is a sum equal to the maximum credit for~~  
9 ~~state death taxes allowed by 26 U.S.C. § 2011 as it was in effect as of January 1, 2001; provided,~~  
10 ~~however, that the tax shall be imposed only if the net taxable estate shall exceed eight hundred~~  
11 ~~and fifty thousand dollars (\$850,000); provided, further, beginning on January 1, 2011, and each~~  
12 ~~January 1 thereafter until January 1, 2015, said amount shall be adjusted by the percentage of~~  
13 ~~increase in the Consumer Price Index for all Urban Consumers (CPI-U) as published by the~~  
14 ~~United States Department of Labor Statistics determined as of September 30 of the prior calendar~~  
15 ~~year; said adjustment shall be compounded annually and shall be rounded up to the nearest five~~  
16 ~~dollar (\$5.00) increment. Any scheduled increase in the unified credit provided in 26 U.S.C. §~~  
17 ~~2010 in effect on January 1, 2003, or thereafter, shall not apply.~~

18 ~~(4) For decedents whose death occurs on or after January 1, 2015, a tax is imposed upon~~  
19 ~~the transfer of the net estate of every resident or nonresident decedent as a tax upon the right to~~  
20 ~~transfer. The tax is a sum equal to the maximum credit for state death taxes allowed by 26 U.S.C.~~  
21 ~~§ 2011, as it was in effect as of January 1, 2001; provided, however, that a Rhode Island credit~~  
22 ~~shall be allowed against any tax so determined in the amount of sixty-four thousand four hundred~~  
23 ~~(\$64,400). Any scheduled increase in the unified credit provided in 26 U.S.C. § 2010 in effect on~~  
24 ~~January 1, 2003, or thereafter, shall not apply; provided, further, beginning on January 1, 2016,~~  
25 ~~and each January 1 thereafter, said Rhode Island credit amount under this section shall be~~  
26 ~~adjusted by the percentage of increase in the Consumer Price Index for all Urban Consumers~~  
27 ~~(CPI-U) as published by the United States Department of Labor Statistics determined as of~~  
28 ~~September 30 of the prior calendar year; said adjustment shall be compounded annually and shall~~  
29 ~~be rounded up to the nearest five dollar (\$5.00) increment.~~

30 ~~(b) If the decedent's estate contains property having a tax situs not within the state, then~~  
31 ~~the tax determined by this section is reduced to an amount determined by multiplying the tax by a~~  
32 ~~fraction whose numerator is the gross estate excluding all property having a tax situs not within~~  
33 ~~the state at the decedent's death and whose denominator is the gross estate. In determining the~~  
34 ~~fraction, no deductions are considered and the gross estate is not reduced by a mortgage or other~~

1 ~~indebtedness for which the decedent's estate is not liable.~~

2 ~~(c)(1) The terms "gross taxable estate", "federal gross estate" or "net taxable estate" used~~  
3 ~~in this chapter or chapter 23 of this title has the same meaning as when used in a comparable~~  
4 ~~context in the laws of the United States, unless a different meaning is clearly required by the~~  
5 ~~provisions of this chapter or chapter 23 of this title. Any reference in this chapter or chapter 23 of~~  
6 ~~this title to the Internal Revenue Code or other laws of the United States means the Internal~~  
7 ~~Revenue Code of 1954, 26 U.S.C. § 1 et seq.~~

8 ~~(2) For decedents whose death occurs on or after January 1, 2002, the terms "gross~~  
9 ~~taxable estate" "federal gross estate" or "net taxable estate" used in this chapter or chapter 23 of~~  
10 ~~this title has the same meaning as when used in a comparable context in the laws of the United~~  
11 ~~States, unless a different meaning is clearly required by the provisions of this chapter or chapter~~  
12 ~~23 of this title. Any reference in this chapter or chapter 23 of this title to the Internal Revenue~~  
13 ~~Code or other laws of the United States means the Internal Revenue Code of 1954, 26 U.S.C. § 1~~  
14 ~~et seq., as they were in effect as of January 1, 2001, unless otherwise provided.~~

15 ~~(d) All values are as finally determined for federal estate tax purposes.~~

16 ~~(e) Property has a tax situs within the state of Rhode Island:~~

17 ~~(1) If it is real estate or tangible personal property and has actual situs within the state of~~  
18 ~~Rhode Island; or~~

19 ~~(2) If it is intangible personal property and the decedent was a resident.~~

20 ~~**44-22-2. Exemption -- Missing persons in military action.**~~

21 ~~An estate of a serviceman or servicewoman who has been classified by the armed forces~~  
22 ~~of the United States as missing in action is exempt from provisions of this chapter pertaining to~~  
23 ~~taxation.~~

24 SECTION 2. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO TAXATION - ESTATE AND TRANSFER TAXES

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1           This act would repeal the chapter regarding estate and transfer taxes thus eliminating  
2 these taxes.

3           This act would take effect upon passage.

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