

## **State of Rhode Island and Providence Plantations**

Rhode Island Department of Revenue

Division of Taxation

### **Public Notice of Proposed Rule-Making**

Pursuant to the provisions of 42-35-3(a)(1) of the General Laws of Rhode Island, and in accordance with the Administrative Procedures Act (Chapter 42-35 of the General Laws), The Division of Taxation hereby gives notice of its intent to issue a regulation relating to the computation of Estate Tax.

The purpose of this regulation is to implement Chapter 44-22 and 44-23 of the Rhode Island General Laws. These chapters provide for Estate and Transfer Taxes Liability and Computation, and Estate and Transfer Taxes Enforcement and Collection, in regards to the calculation of the estate tax.

The proposed regulation and concise summary of non-technical requirements and proposed new rules are available for public inspection at [www.tax.ri.gov](http://www.tax.ri.gov), in person at The Rhode Island Division of Taxation, or requested by e-mail at [mcanole@tax.ri.gov](mailto:mcanole@tax.ri.gov) or by calling Michael Canole at (401) 574-8729.

In the development of the proposed regulation, consideration was given to: (1) alternative approaches; (2) overlap or duplication with other statutory and regulatory provisions; and (3) significant economic impact on small business. No alternative approach, duplication, or overlap was identified based upon available information.

All interested parties are invited to submit written or oral comments concerning the proposed regulations by November 10, 2009 to Michael Canole, Rhode Island Division of Taxation, One Capitol Hill, Providence, RI – telephone number (401) 574-8729 or via e-mail at [mcanole@tax.ri.gov](mailto:mcanole@tax.ri.gov). A public hearing to consider the proposed regulation will be held on November 10, 2009 at the Rhode Island Division of Taxation, One Capitol Hill, Providence, RI, at which time and place all persons interested therein will be heard. The room is accessible to the disabled and interpreter services for the hearing impaired will be provided if requested 48 hours prior to the hearing. Requests for this service can be made in writing to Michael Canole at Rhode Island Division of Taxation, One Capitol Hill, Providence, RI 02908 or by calling 401 574-8729.

**Rhode Island Department of Revenue**

**Division of Taxation**

**Concise Summary of ALL Non-technical requirements pursuant to  
RIGL Section 42-35-3(a)(1)**

**Rules and Regulation regarding Estate Tax – EST 09-01**

The purpose of this regulation is to implement Chapter 44-22 and 44-23 of the Rhode Island General Laws. These chapters provide for Estate and Transfer Taxes Liability and Computation, and Estate and Transfer Taxes Enforcement and Collection, in regards to the calculation of the estate tax

# Computation of Estate Tax

## Regulation 09-01

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#### RULE 1      PURPOSE

This regulation implements Chapter 44-22 and 44-23 of the Rhode Island General Laws. These chapters provide for Estate and Transfer Taxes Liability and Computation, and Estate and Transfer Taxes Enforcement and Collection, in regards to the calculation of the estate tax.

#### RULE 2      AUTHORITY

This regulation is promulgated pursuant to RIGL Chapter 44-22 and 44-23, as amended. These rules have been prepared in accordance with the requirements of Chapter 44-1-4 and 44-23-45.

#### RULE 3      APPLICATION

The terms and provisions of these rules and regulations shall be liberally construed to permit the Division of Taxation to effectuate the purposes of RIGL Chapter 44-22 and 44-23 and other applicable state laws and regulations.

#### **RULE 4 SEVERABILITY**

If any provision of this regulation, or the application thereof to any person or circumstances, is held invalid by a court of competent jurisdiction, the validity of the remainder of this regulation shall not be affected thereby.

#### **RULE 5 GENERAL**

The Rhode Island estate tax is imposed upon the transfer of the net estate of every resident or nonresident decedent as a tax upon the right to transfer.

For decedents whose death occurs on or after January 1, 2002, but prior to January 1, 2010, the tax is a sum equal to the maximum credit for state death taxes allowed by 26 U.S.C. § 2011 as it was in effect as of January 1, 2001. Any scheduled increase in the in the unified credit provided in §26 U.S.C. 2010 in effect on January 1, 2001, or thereafter, shall not apply. The tax shall only be imposed if the net taxable estate shall exceed six hundred seventy-five thousand dollars (\$675,000). Exempting net taxable estates of six hundred seventy-five thousand or less requires a unified credit of two hundred twenty thousand five hundred fifty dollars (\$220,550). See EXHIBIT "A" line 3. The Rhode Island estate tax may be ascertained by completing the computation schedule on EXHIBIT "A". Examples:

1. A net taxable estate of \$750,000 would yield a RI estate tax of \$20,400.
2. A net taxable estate of \$851,000 would yield a RI estate tax of \$25,248.
3. A net taxable estate of \$1,000,000 would yield a RI estate tax of \$33,200.

For decedents whose death occurs on or after January 1, 2010, the tax is a sum equal to the maximum credit for state death taxes allowed by 26 U.S.C. § 2011 as it was in effect as of January 1, 2001. Any scheduled increase in the in the unified credit provided in 26 U.S.C. 2010 § in effect on January 1, 2003, or thereafter, shall not apply. The tax shall only be imposed if the net taxable estate shall exceed eight hundred fifty thousand dollars (\$850,000). Exempting net taxable estates of eight hundred fifty thousand or less requires a unified credit of two hundred eighty-seven thousand three hundred dollars (\$287,300). See EXHIBIT "B" line 3. The Rhode Island estate tax can be ascertained by completing the computation schedule on EXHIBIT "B". Examples:

1. A net taxable estate of \$750,000 would yield a RI estate tax of \$ 0.
2. A net taxable estate of \$851,000 would yield a RI estate tax of \$390.
3. A net taxable estate of \$1,000,000 would yield a RI estate tax of \$33,200.

Beginning on January 1, 2011 and each January 1 thereafter, said eight hundred fifty thousand dollars (\$850,000) shall be adjusted by the percentage of increase in the Consumer Price Index for all Urban Consumers as of September 30 of the prior calendar

year compounded annually and rounded up to the nearest five dollar (\$5.00) increment. Exempting net taxable estates from the annually revised amount will require an annual adjustment to the unified credit (line 3 of the computation schedule). The revised taxable threshold and unified credit amounts will be published annually on the tax division website along with a revised computation schedule.

**RULE 6      EFFECTIVE DATE:**

This Regulation shall take effect as of January 1, 2010.

DAVID M. SULLIVAN  
TAX ADMINISTRATOR

**EXHIBIT "A"**

# Rhode Island Tax Computation Schedule

**Table A**

Column A Taxable amount over	Column B Taxable amount not over	Column C Tax on amount in column A	Column D Rate of tax on excess over amount in column A  (Percent)
0	\$10,000	0	18
10,000	20,000	\$1,800	20
20,000	40,000	3,800	22
40,000	60,000	8,200	24
60,000	80,000	13,000	26
80,000	100,000	18,200	28
100,000	150,000	23,800	30
150,000	250,000	38,800	32
250,000	500,000	70,800	34
500,000	750,000	155,800	37
750,000	1,000,000	248,300	39
1,000,000	1,250,000	345,800	41
1,250,000	1,500,000	448,300	43
1,500,000	2,000,000	555,800	45
2,000,000	2,500,000	780,800	49
2,500,000	3,000,000	1,025,800	53
3,000,000	-----	1,290,800	55

**Table B**

(1) Adjusted taxable estate equal to or more than	(2) Adjusted taxable estate less than	(3) Credit on amount in column 1	(4) Rate of credit on excess over amount in column 1  (Percent)
0	\$40,000	0	None
40,000	90,000	0	0.8
90,000	140,000	\$400	1.6
140,000	240,000	1,200	2.4
240,000	440,000	3,600	3.2
440,000	640,000	10,000	4.0
640,000	840,000	18,000	4.8
840,000	1,040,000	27,600	5.6
1,040,000	1,540,000	38,800	6.4
1,540,000	2,040,000	70,800	7.2
2,040,000	2,540,000	106,800	8.0
2,540,000	3,040,000	146,800	8.8
3,040,000	3,540,000	190,800	9.6
3,540,000	4,040,000	238,800	10.4
4,040,000	5,040,000	290,800	11.2
5,040,000	6,040,000	402,800	12.0
6,040,000	7,040,000	522,800	12.8
7,040,000	8,040,000	650,800	13.6
8,040,000	9,040,000	786,800	14.4
9,040,000	10,040,000	930,800	15.2
10,040,000	-----	1,082,800	16.0

## Computation of Tax

1. Net taxable estate (page 1, part 2, line 3).....	1.	
2. Tax on amount on line 1 - use table A.....	2.	
3. Less unified credit.....	3.	<b>220,550 00</b>
4. Subtract line 3 from line 2.....	4.	
5. Net taxable estate (page 1, part 2, line 3).....	5.	
6. Less.....	6.	<b>60,000 00</b>
7. Subtract line 6 from line 5.....	7.	
8. Credit for state death taxes on amount on line 7 - compute using table B.....	8.	
9. Rhode Island Tax - the smaller of line 4 or line 8.....	9.	

**EXHIBIT "B"**

# Rhode Island Tax Computation Schedule

**Table A**

Column A Taxable amount over	Column B Taxable amount not over	Column C Tax on amount in column A	Column D Rate of tax on excess over amount in column A  (Percent)
0	\$10,000	0	18
10,000	20,000	\$1,800	20
20,000	40,000	3,800	22
40,000	60,000	8,200	24
60,000	80,000	13,000	26
80,000	100,000	18,200	28
100,000	150,000	23,800	30
150,000	250,000	38,800	32
250,000	500,000	70,800	34
500,000	750,000	155,800	37
750,000	1,000,000	248,300	39
1,000,000	1,250,000	345,800	41
1,250,000	1,500,000	448,300	43
1,500,000	2,000,000	555,800	45
2,000,000	2,500,000	780,800	49
2,500,000	3,000,000	1,025,800	53
3,000,000	-----	1,290,800	55

**Table B**

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0	\$40,000	0	None
40,000	90,000	0	0.8
90,000	140,000	\$400	1.6
140,000	240,000	1,200	2.4
240,000	440,000	3,600	3.2
440,000	640,000	10,000	4.0
640,000	840,000	18,000	4.8
840,000	1,040,000	27,600	5.6
1,040,000	1,540,000	38,800	6.4
1,540,000	2,040,000	70,800	7.2
2,040,000	2,540,000	106,800	8.0
2,540,000	3,040,000	146,800	8.8
3,040,000	3,540,000	190,800	9.6
3,540,000	4,040,000	238,800	10.4
4,040,000	5,040,000	290,800	11.2
5,040,000	6,040,000	402,800	12.0
6,040,000	7,040,000	522,800	12.8
7,040,000	8,040,000	650,800	13.6
8,040,000	9,040,000	786,800	14.4
9,040,000	10,040,000	930,800	15.2
10,040,000	-----	1,082,800	16.0

## Computation of Tax

1. Net taxable estate (page 1, part 2, line 3).....	1.	
2. Tax on amount on line 1 - use table A.....	2.	
3. Less unified credit.....	3.	<b>287,300 00</b>
4. Subtract line 3 from line 2.....	4.	
5. Net taxable estate (page 1, part 2, line 3).....	5.	
6. Less.....	6.	<b>60,000 00</b>
7. Subtract line 6 from line 5.....	7.	
8. Credit for state death taxes on amount on line 7 - compute using table B.....	8.	
9. Rhode Island Tax - the smaller of line 4 or line 8.....	9.	