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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2026

A N A C T

RELATING TO TAXATION -- WEALTH PROCEEDS TAX

Introduced By: Senators Kallman, Lauria, Valverde, Ujifusa, DiMario, Mack, Vargas, Britto, and Sosnowski

Date Introduced: March 27, 2026

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

SECTION 1. Title 44 of the General Laws entitled "TAXATION" is hereby amended by adding thereto the following chapter:

CHAPTER 73

WEALTH PROCEEDS TAX

44-73-1. Short title.

This act shall be known and may be cited as the "Wealth Proceeds Tax".

44-73-2. Definitions.

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Federal modified adjusted gross income" means the definition contained in § 1411(d) of the Internal Revenue Code, modified in accordance with the same adjustments identified in subsections (3)(i) through (3)(iv) of this section.

(2) "Threshold amount" means the definition contained in § 1411(b) of the Internal Revenue Code.

(3) "Wealth proceeds" means the same meaning as "net investment income" contained in § 1411(c) of the Internal Revenue Code, subject to the following adjustments:

(i) Excluding interest on U.S. obligations that the state is prohibited from taxing under federal law;

(ii) Including interest on obligations issued by state and local governments other than

Rhode Island and its subdivisions;

(iii) Including net gain excluded under § 1202 of the Internal Revenue Code;

(iv) Including net gain excluded under § 1400Z-2 of the Internal Revenue Code;

(v) Including net gain attributable to the disposition of property held in a trade or business not described under § 1411(c)(2) of the Internal Revenue Code;

(vi) Including net gain described under the exception found in § 1411(c)(4) of the Internal Revenue Code;

(vii) Including net gain excluded under § 1411(c)(5) of the Internal Revenue Code that is attributable to net unrealized appreciation within the meaning of § 402(e)(4) of the Internal Revenue Code; and

(viii) Including, for a taxpayer who transferred property to an incomplete gift non-grantor trust, "wealth proceeds" of the trust as described under subsections (3)(i) through (3)(vii) of this section, less any deductions of the trust, to the extent such wealth proceeds and deductions of such trust would be taken into account in computing the taxpayer's federal taxable income if such trust in its entirety were treated as a grantor trust for federal tax purposes. For purposes of this subsection, an "incomplete gift non-granter trust" means a resident trust that meets the following conditions:

(A) The trust does not qualify as a grantor trust under §§ 671 through 679 of the Internal Revenue Code; and

(B) The grantor's transfer of assets to the trust is treated as an incomplete gift under § 2511 of the Internal Revenue Code, and the regulations thereunder.

44-73-3. Imposition of tax.

(a) In the case of an individual, estate, or trust there is hereby imposed (in addition to any other tax imposed) for each taxable year a tax equal to four percent (4%) of the lesser of:

(1) Wealth proceeds for such taxable year; or

(2) Federal modified adjusted gross income for such taxable year, less the threshold amount.

(b) For an individual who is not a Rhode Island resident for the entire taxable year, the tax under this subsection shall be calculated as if the individual is a Rhode Island resident for the entire year, and that amount shall be multiplied by a fraction in which:

(1) The numerator is wealth proceeds allocable under this chapter to Rhode Island; and

(2) The denominator is the total amount of wealth proceeds for the taxable year.

(c) For an estate or trust, the tax under this section shall be calculated by multiplying the wealth proceeds tax liability by a fraction, the numerator of which is the amount of the estate or trust's wealth proceeds allocated to the state pursuant to the provisions of chapter 23 of title 44, and

<u>the denominator of which is the taxpayer's total wealth proceeds.</u>

<u>(d) All references to the Internal Revenue Code in this section shall refer to the code in effect as of January 1, 2026.</u>

SECTION 2. This act shall take effect on January 1, 2027, and shall not be applied retroactively.

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EXPLANATION

BY THE LEGISLATIVE COUNCIL

OF

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RELATING TO TAXATION -- WEALTH PROCEEDS TAX

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This act would impose a wealth proceeds tax equal to four percent (4%) on net investment income, such as interest, dividends, annuities, royalties, capital gains and rental income, of high-income households, estates and trusts, based upon federal guidelines.

This act would take effect on January 1, 2027, and would not be applied retroactively.

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