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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2025

A N A C T

RELATING TO TAXATION -- WEALTH TAX

Introduced By: Senators Mack, Acosta, and Kallman

Date Introduced: March 14, 2025

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

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

3 CHAPTER 72

4 WEALTH TAX

5 **44-72-1. Definitions.**

6 The definitions in this section apply throughout this chapter unless the context clearly
7 requires otherwise:

8 (1) "Artificial person" means a corporation; limited liability company; limited liability
9 partnership, limited partnership, joint venture, or any other kind of partnership; association;
10 business trust or any other trust; estate; association; or any other organization.

11 (2) "Cash and cash equivalents" means currency and short-term, highly liquid investments
12 that are readily convertible to known amounts of cash. "Cash and cash equivalents" includes money
13 on hand, certificates of deposit, checking account deposits, savings account deposits, money market
14 funds, cryptocurrency, and similar assets.

15 (3) "Day" means a calendar day or any portion of a calendar day.

16 (4) "Department" means the department of revenue.

17 (5) "Domicile" means for purposes of an artificial person:

18 (i) For a business, the principal place from which the business is directed or managed; and

19 (ii) For artificial persons other than businesses, the place where the entity was organized.

1 (6) "Fair market value" means the amount of money that a willing buyer would pay to a
2 willing seller for property in an arms-length transaction if both parties were fully informed about
3 all advantages and disadvantages of the property and neither party is acting under a compulsion to
4 enter into the transaction.

5 (7) "Financial intangible assets" means the following assets:

6 (i) Cash and cash equivalents;

7 (ii) Financial investments such as annuities, bonds, treasury bills, mutual funds or index
8 funds, stocks, publicly traded options, futures contracts, commodities contracts, put and call
9 options, certificates of interest in gold and other precious metals or gems, and other similar
10 investments;

11 (iii) Units of ownership in a subchapter K entity;

12 (iv) Units of ownership and stock in a subchapter S entity; and

13 (v) Similar intangible assets.

14 (8) "Intangible assets" means both financial intangible assets and nonfinancial intangible
15 assets.

16 (9) "Nonfinancial intangible assets" means all intangible property other than financial
17 intangible assets, such as trademarks, trade names, brand names, patents, copyrights, trade secrets,
18 licenses, permits, core deposits of financial institutions, noncompete agreements, customer lists,
19 patient lists, favorable contracts, favorable financing agreements, reputation, exceptional
20 management, prestige, good name, integrity of a business, private nongovernmental personal
21 service contracts, and private nongovernmental athletic or sports franchises or agreements.

22 (10) "Person" means any natural person or artificial person.

23 (11) "Subchapter K entity" means a partnership, including a limited partnership, limited
24 liability partnership, limited liability limited partnership, limited liability company, joint venture,
25 or any other entity subject to subchapter K of the internal revenue code, 26 U.S.C. §§ 701 through
26 761, including a single member limited liability company.

27 (12) "Subchapter S entity" means any entity subject to the internal revenue code, 26 U.S.C.
28 §§ 1361 through 1379.

29 (13) "Tax year" means the calendar year immediately preceding the year in which the tax
30 under this chapter is due and payable to the department.

31 (14) "Taxable worldwide wealth" means a person's worldwide wealth, excluding the fair
32 market value of any intangible property exempt from the tax imposed under this chapter.

33 (15) "Rhode Island resident" or "resident" means the following:

34 (i) Any artificial person domiciled in this state at any time during the tax year; or

1 (ii) A natural person:
2 (A) Who is domiciled in this state at any time during the tax year; or
3 (B) Who is not domiciled in this state during the tax year, but maintained a place of abode
4 and was physically present in this state for more than one hundred eighty three (183) days during
5 the tax year.

6 (16)(i) "Worldwide wealth" means the fair market value of all intangible assets, or portion
7 thereof, owned or controlled by a resident.

8 (ii) For purposes of this subsection:

9 (A) "Control" means a person possesses, directly or indirectly, alone or with one or more
10 close associates, more than fifty percent (50%) of the power to sell or otherwise dispose of
11 intangible assets.

12 (B) "Close associates" means natural persons who are in close association with another
13 natural person by reason of a family, marital, personal, or business relationship.

14 (C) "Own" includes both legal and beneficial ownership.

15 **44-72-2. Tax imposed.**

16 (a) Beginning January 1, 2026, for taxes due in 2027, a wealth tax is imposed on each
17 Rhode Island resident. The wealth tax equals one percent (1%) multiplied by a resident's taxable
18 worldwide wealth.

19 (b) Except as provided in subsection (c) of this section, the tax imposed under this section
20 applies to a resident's taxable worldwide wealth as of December 31 of the tax year.

21 (c) In the case of any individual who dies during a tax year and who is not married or in a
22 state registered domestic partnership on the date of such individual's death:

23 (1) The tax imposed under this section applies to the individual's taxable worldwide wealth
24 as of the date of the individual's death; and

25 (2) The amount of the tax otherwise due under this section shall be reduced by an amount
26 determined by:

27 (i) Dividing the amount of tax otherwise due for the entire tax year by the total number of
28 days in the tax year; and

29 (ii) Multiplying the amount determined in subsection (c)(2)(i) of this section by the number
30 of days remaining in the tax year after the date of the individual's death.

31 (d) The tax imposed in this section does not apply to a resident based on that person's status
32 as a trustee of a trust, unless that person is also a beneficiary of the trust or holds a general power
33 of appointment over the assets of the trust.

34 (e)(1) If an individual is treated as the owner of any portion of a trust that qualifies as a

1 grantor trust for federal income tax purposes, that individual shall be treated as the owner of that
2 property for purposes of the tax imposed in this section to the extent such property includes
3 intangible assets.

4 (2) A grantor of a trust that does not qualify as a grantor trust for federal income tax
5 purposes shall nevertheless be treated as the owner of the intangible assets of the trust for purposes
6 of the tax imposed in this section if the grantor's transfer of assets to the trust is treated as an
7 incomplete gift under 26 U.S.C. § 2511 of the internal revenue code and its accompanying
8 regulations.

9 (f) Intangible assets transferred after the effective date of this section by a resident to an
10 individual who is a member of the family of the resident and has not attained the age of eighteen
11 (18) shall be treated as property of the resident for any calendar year before the year in which such
12 individual attains the age of eighteen (18).

13 (g) All funds collected from the wealth tax shall be deposited pursuant to the requirements
14 of this chapter.

15 **44-72-3. When taxes and tax returns are due.**

16 (a)(1) Except as otherwise provided in this section, each resident owing tax under this
17 chapter shall file, on forms prescribed by the department, a return with the department on or before
18 April 15th each year reporting that person's taxable worldwide wealth for the immediate preceding
19 calendar year, and such other information the department determines necessary to administer the
20 tax imposed under this chapter.

21 (2)(i) Except as provided in subsection (a)(2)(ii) of this section, returns and all supporting
22 documents shall be filed electronically using the department's online tax filing service or other
23 method of electronic reporting as the department may authorize.

24 (ii) The department may waive the electronic filing requirement in this subsection for good
25 cause as outlined below.

26 (b)(1) Except as otherwise provided in this subsection, spouses and state registered
27 domestic partners shall jointly file returns required under this section.

28 (2)(i) A spouse or state registered domestic partner may petition the department, on a form
29 and in a format as required by the department, for permission to file a separate return. The
30 department may grant the petition only if it finds that good cause exists for allowing the petitioner
31 to file a separate return.

32 (ii) For purposes of this subsection, "good cause" means:

33 (A) The petitioner reasonably believes that the non-petitioning spouse or state registered
34 domestic partner will not cooperate in the filing of a complete and accurate joint return; or

1 (B) Any other circumstance that, in the department's judgment, renders the filing of a joint
2 return manifestly unreasonable.

3 (c) Each resident required to file a return under this section shall, without assessment,
4 notice, or demand, pay any tax due under this chapter to the department on or before the due date
5 of the return, regardless of any filing extension granted by the department. The tax shall be paid by
6 electronic funds transfer or by other forms of electronic payment as may be authorized by the
7 department. The department may waive the electronic payment requirement for good cause.

8 (d)(1) If any return due under subsection (a) of this section is not filed with the department
9 by the due date or any extension granted by the department, the department shall assess a penalty
10 in the amount of five percent (5%) of the tax due for the tax year covered by the return for each
11 month or portion of a month that the return remains unfiled. The total penalty assessed under this
12 subsection may not exceed twenty-five percent (25%) of the tax due for the tax year covered by the
13 delinquent return. The penalty under this subsection is in addition to any penalties assessed for the
14 late payment of any tax due on the return.

15 (2) The department shall waive the penalty imposed under this subsection if:

16 (i) The department is persuaded that the person's failure to file the return by the due date
17 was due to circumstances beyond the person's control; or

18 (ii) The person has not been delinquent in filing any return due under this section during
19 the preceding five (5) calendar years.

20 **44-72-4. Administrative provisions.**

21 The department may adopt any rules it considers useful in administering the tax under this
22 chapter.

23 **44-72-5. Exemptions.**

24 Exemptions from the tax imposed under § 44-72-3 are provided for:

25 (1) Up to twenty-five million dollars (\$25,000,000) of a taxpayer's financial intangible
26 assets. For purposes of this exemption, both spouses or state registered domestic partners are
27 considered to be one taxpayer. If the department authorizes the filing of separate returns for a tax
28 year, each spouse or state registered domestic partner is entitled to claim one-half of the exemption
29 provided under this subsection for that tax year;

30 (2) Nonfinancial intangible assets;

31 (3) Worldwide wealth of artificial persons; provided, however, the exemption provided in
32 this subsection does not affect the computation of a natural person's worldwide wealth;

33 (4) Any obligations or evidences of debt of the United States and obligations of United
34 States government agencies and corporations established by acts of the congress of the United

1 States to the extent required by federal law to be exempt from taxation by the states;

2 (5) Any obligations or evidences of debt of the State of Rhode Island and its agencies,
3 instrumentalities, political subdivisions, and municipal corporations, which include municipal
4 bonds;

5 (6) Any stock of the federal reserve bank, the government national mortgage association,
6 the federal national mortgage association, and other corporations and associations established by
7 acts of the congress of the United States; and

8 (7) Any property subject to ad valorem taxation.

9 **44-72-6. Credit for similar wealth tax paid to another state.**

10 (a) Except as provided in subsection (b) of this section, a person subject to tax under this
11 chapter is allowed a credit against the tax otherwise due under this chapter equal to the amount of
12 any similar wealth tax legally imposed on, and paid by, the person to another state for the same tax
13 year on financial intangible assets subject to tax under this chapter. Credit under this section may
14 not exceed the tax otherwise due under this chapter and may not be carried forward or backward to
15 another tax year. Unused credit is not refundable.

16 (b) No credit may be claimed under this section if:

17 (1) The other state does not provide a substantially similar credit against its wealth tax; or

18 (2) The taxpayer was domiciled in Rhode Island for a greater amount of time than in the
19 other state during the tax year.

20 (c) For purposes of this section, a similar wealth tax does not include an estate tax,
21 inheritance tax, net income tax, gross receipts tax, other business activity tax, or similar tax. A tax
22 on the value of property may be considered to be a similar wealth tax even though taxpayers are
23 allowed a deduction for their liabilities in computing the tax.

24 **44-72-7. Innocent spouse relief.**

25 (a) An individual who is required to jointly file a return under this chapter may petition the
26 department for relief from joint and several liability for an assessment of taxes due under this
27 chapter, including penalties and interest. Relief under this section is available only to the extent
28 that the individual establishes by clear, cogent, and convincing evidence that the petitioner is
29 entitled to relief under this section. The petition shall be made on a form and in a format prescribed
30 by the department.

31 (b) An individual is entitled to relief from joint and several liability under this section only
32 if the petitioner establishes that all of the following criteria have been met:

33 (1) The individual jointly filed a return under this chapter for a taxable year;

34 (2) There is an understatement of tax due on the jointly filed return that is attributable to

1 erroneous reporting of assets by the non-petitioning current or former spouse or state registered
2 domestic partner;

3 (3) The individual seeking relief establishes that the petitioner did not know, and had no
4 reason to know, that there was such an understatement; and

5 (4) Taking into account all the facts and circumstances, it is manifestly inequitable to hold
6 the individual seeking relief liable for the deficiency in tax for such taxable year attributable to such
7 understatement.

8 (c) Any determination under this section shall be made without regard to community
9 property laws.

10 (d) If an individual seeking relief under this section establishes that they did not know, and
11 had no reason to know, the extent of such understatement, then such individual shall be relieved of
12 liability for tax not properly paid, including penalties and interest, for such taxable year to the extent
13 that such liability is attributable to the portion of such understatement of which such individual did
14 not know and had no reason to know.

15 (e) An individual seeking relief under this section has the burden of proof with respect to
16 establishing the portion of any deficiency allocable to such individual and the portion solely
17 allocable to the individual's current or former spouse or state registered domestic partner.

18 (f)(1) Notwithstanding any other provision of this section, an individual seeking relief
19 under this section may not seek relief for taxes on wealth derived from disqualified assets. For the
20 purposes of this subsection, "disqualified asset" means any asset or right to an asset transferred
21 between spouses or state registered domestic partners required to jointly file a return under this
22 chapter if the principal purpose of the transfer was the avoidance of tax.

23 (2) Except as provided in subsection (f)(3) of this section, any transfer of assets between
24 two (2) spouses or state registered domestic partners, required to jointly file a return under this
25 chapter, that is made within twelve (12) months prior to December 31 of the tax year for which an
26 individual is seeking relief under this section is presumed to be made with the principle purpose of
27 avoidance of tax.

28 (3) The presumption under subsection (f)(2) of this section, does not apply to any transfer
29 pursuant to a decree of divorce, dissolution of a domestic partnership, separate maintenance action,
30 or a written instrument incident to such action, or to any transfer that an individual establishes did
31 not have tax avoidance as its principal purpose.

32 (g) If relief is granted under this section, any asset giving rise to a deficiency on a jointly
33 filed return shall be allocated to the individuals filing the return in the same manner as it would
34 have been allocated if the individuals had filed separate returns for the taxable year. No relief

1 granted under this section may reduce the combined tax liability of individuals required to jointly
2 file a return under this chapter in any given tax year.

3 (h) Any relief granted under this section may not result in an increase in the exemption
4 amount allowed under § 44-72-5. Nothing in this section shall be construed to permit individuals
5 required to jointly file a return under this chapter to claim a combined exemption exceeding the
6 limit established in § 44-72-5.

7 (i) An individual seeking relief under this section must file a petition with the department
8 no later than two (2) years after the date of the department's notification of the deficiency that is
9 the subject of the petition.

10 (j) The department may by rule provide a method or methods for allocating assets between
11 individuals required to jointly file returns under this chapter in cases where one of the individuals
12 is granted relief under this section. The department may also by rule provide substantiation
13 requirements for an individual to establish the individual's eligibility for relief under this section.

14 (k) An individual seeking relief under this section may petition the department for a review
15 of a denial of such relief.

16 **44-72-8. Substantial wealth tax valuation understatement penalty imposed.**

17 (a) Except as otherwise provided in this section, if any portion of an underpayment of tax
18 due under this chapter is due to a substantial wealth tax valuation understatement, there shall be
19 added to the tax an amount equal to:

20 (1) In the case of any substantial wealth tax valuation understatement that is a gross wealth
21 tax valuation misstatement, fifty percent (50%) of the portion of the underpayment due to the
22 valuation understatement; or

23 (2) In all other cases, thirty percent (30%) of the portion of the underpayment due to the
24 valuation understatement.

25 (b) The penalty imposed under subsection (a) of this section does not apply unless the
26 portion of the underpayment attributable to substantial wealth tax valuation understatements for the
27 calendar year exceeds five thousand dollars (\$5,000).

28 (c) The penalty imposed in this section is in addition to any other applicable penalties
29 imposed under this chapter.

30 (d) For purposes of this section, the following definitions apply:

31 (1) "Gross wealth tax valuation misstatement" means the fair market value of any financial
32 intangible assets reported on a return is forty percent (40%) or less of the amount determined to be
33 the correct amount of such fair market value.

34 (b) "Substantial wealth tax valuation understatement" means the fair market value of any

1 financial intangible assets reported on a return is sixty five percent (65%) or less of the amount
2 determined to be the correct amount of such fair market value.

3 **44-72-9. Enforcement.**

4 Beginning in calendar year 2026, to the extent that sufficient funds are specifically
5 appropriated for this purpose, the department shall initiate audits of at least ten percent (10%) of
6 individuals who are registered with the department to pay the tax imposed in this chapter, increasing
7 to fifteen percent (15%) in calendar year 2027, and twenty percent (20%) in calendar year 2028
8 and thereafter.

9 **44-72-10. Rule of construction.**

10 The general assembly intends that any provision of this chapter that is found to be
11 ambiguous, by a court of competent jurisdiction or administrative agency, be construed in favor of
12 application of the tax, notwithstanding any contrary common law rule of statutory construction.

13 **44-72-11. Severability clause.**

14 If any provision of this chapter or its application to any person or circumstance is held
15 invalid, the remainder of the chapter or the application of the provision to other persons or
16 circumstances is not affected.

17 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 -- WEALTH TAX

- 1 This act would impose a wealth tax on Rhode Island individuals and entities at a rate of
- 2 one percent (1%) of worldwide wealth.
- 3 This act would take effect upon passage.

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