

**State of Rhode Island
Department of Revenue**

Tax Policy Strategy Work Group

“Develop a tax strategy so that Rhode Island’s tax structure is a competitive advantage in retaining jobs and recruiting businesses. To achieve this objective the tax strategy should result in a tax structure that meets the test of equity, efficiency, predictability, competitiveness and transparency.”

Individual Taxes Sub-Group Meeting Minutes – September 11, 2008

- I. Committee members present: Mark Higgins, E. Hans Lundtsen, Edward Pieroni, Patricia Thompson

Committee members absent: Edward Cooney, Al Lubrano, George Nee, and Grafton H. Wiley IV

Department of Revenue employees in attendance: Paul L. Dion, Gary S. Sasse, David Sullivan, Michael Canole, Peter McVay, Cee Vallee, Sunil Pokharel

Others in attendance: Michael O’Keefe, House Fiscal Advisor, Steve Whitney, Senate Fiscal Office; Liza Pinto, House Fiscal Office; Chris Long, Governor’s Policy Office, Ashley Denault, Rhode Island Public Expenditure Council

- II. A. Max Kohlenberg, Esq., Estate Tax Partner, Edwards, Angell, Palmer & Dodge led a discussion of the impact of estate taxes in practice. Mr. Kohlenberg pointed out that high net worth Rhode Islanders have been known to re-domicile to states with no estate tax in order to avoid paying Rhode Island’s estate tax. Often times this re-domiciliation occurs earlier than it otherwise might. The question arises as to what does Rhode Island forego in current income taxes due to this behavior for some future estate tax revenue?

- III. Paul L. Dion, Chief of the Office of Revenue Analysis, Rhode Island Department of Revenue facilitated a discussion on the economics of estate taxes. Key items discussed were the impact of rate reductions vs. increased exemption amount on Rhode Island’s current estate tax filers, the burden of Rhode Island’s estate tax on “middle class” inheritances vs. wealth estate holders; the relative importance of income taxes vs.

estate taxes in migration decisions; and the impact modifications to the estate tax can have on small businesses.

- IV. An economic analysis of the relationship between state “death” taxes and elderly migration patterns was distributed for review by the committee.
- V. Next steps — The following action items were discussed by the committee
 - A breakout of Rhode Island estate taxes paid by size of taxable estate for top 400 estate tax filers (Paul L. Dion to accomplish).
- VI. Next Meeting – October 2, 2008, 2008 – 8:00am