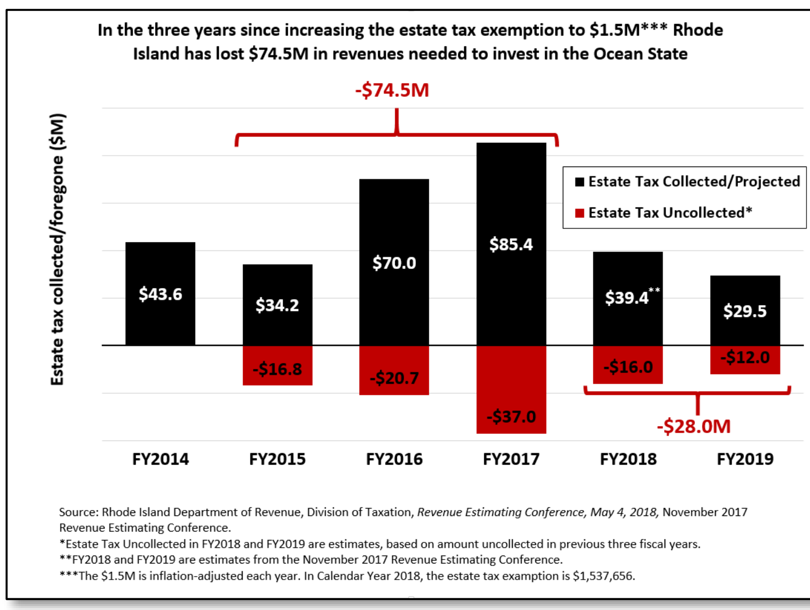
Testimony in Opposition to House Bills 7146, 7147, 7432
House Finance Committee
Submitted by Douglas Hall, Ph.D.
May 8, 2018

Mr. Chairman and Members of the House Finance Committee, The Economic Progress Institute opposes the three bills before you today that erode Rhode Island's estate tax, depriving the Treasury of much-needed revenues, and making our current inequitable tax structure even more so.

House Bill 7146 provides an exemption from the estate tax for closely held corporations or LLCs with fewer than 500 employees. **House Bill 7147** entirely repeals the estate tax. **House Bill 7432** allows any unused portion of the estate tax credit to be transferred from a deceased spouse to his or her remaining spouse.

Rhode Island's estate tax provides revenues for programs and services critical to a strong economic foundation for the Ocean State. In 2014 the General Assembly increased the estate tax exemption to $1.5 million (an amount which has increased due to inflation adjustments to $1,537,656). In the three years since this change, Rhode Island has foregone $74.5 million in revenues through the estate tax.



Investing this same amount of money in Rhode Island's hard-working recipients of the Rhode Island EITC would have allowed us to expand the EITC to 27.5 percent of the federal EITC.

We have struggled with growing levels of income inequality in recent decades. Disparities in wealth are even greater, and those disparities are greatest for Rhode Islanders who are Latino or Black.

Those who would claim that further eroding the estate tax would deter wealthy families from leaving Rhode Island may have anecdotal "evidence" to support their claims, but the research does not support them.

> “First, millionaires are not typically at a lifecycle stage where migration is common. The top 1 percent are primarily the “working rich” who have employers and derive most of their income from wages and salaries. In general, high-income earners are more likely to be married, to be in a dual-career household, to have school-age children, to own rather than rent their home, and to own a business—all factors that discourage migration…Thus, elite income-earners tend to have many social attributes that deter migration, and fewer attributes that encourage migration.”
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> Cristobal Young, Charles Varner, Ithai Z. Lurie, and Richard Prisinzano, “Millionaire Migration and Taxation of the Elite: Evidence from Administrative Data”, *American Sociological Review*, 2016, Vol. 81(3).

Rhode Island’s wealthiest residents have just received a massive windfall from the federal tax changes in the Tax Cuts and Jobs Act. This is not the time to add Rhode Island icing to their tax windfall cake.

Changes to the estate tax proposed in these three bills would deprive those Rhode Islanders who are not among the very wealthiest of the public dollars needed to fund our schools, maintain our bridges, and protect the safety of the air we breathe and the water we drink.

For these reasons, we respectfully request that you not pass these three bills out of committee.