

EXECUTIVE SUMMARY

S 2021: Bitcoin Tax Exemption Act

Sponsor	Senator Peter A. Appollonio
Introduced	January 9, 2026
Referred To	Senate Finance Committee
Effective	January 1, 2027 – January 1, 2028 (1-year pilot)

What This Bill Does

S 2021 creates a **state income tax exemption** for small-scale Bitcoin transactions. Rhode Island residents and businesses would pay **no state tax** on Bitcoin sales up to:

- **\$5,000 per month**
- **\$20,000 per year**

The bill includes a **sunset clause** requiring legislative review after one year, allowing for data-driven evaluation before permanent adoption.

Fiscal Impact Assessment

Revenue Considerations	Economic Offset Potential
<ul style="list-style-type: none">• Limited to small transactions (\$20K/year cap)• Affects marginal capital gains only• Current RI crypto tax revenue is minimal• 1-year pilot limits long-term exposure	<ul style="list-style-type: none">• May attract crypto businesses to RI• Positions RI as innovation-friendly state• Could generate new income tax from relocations• Minimal compliance cost (self-certification)

Budget Note: Given the transaction caps and limited current crypto tax base in RI, the estimated revenue impact is likely modest. The Department of Revenue should provide a formal fiscal note before floor vote.

Rhode Island as an Innovation Leader

This bill positions Rhode Island to compete for the growing digital asset economy. Key advantages:

- **First-mover advantage:** Few states offer explicit crypto tax relief for small holders
- **Controlled risk:** Sunset clause enables evaluation before permanent policy
- **Low administrative burden:** Self-certification with audit provisions
- **Economic development signal:** Signals RI welcomes fintech innovation and entrepreneurs

Key Provisions

Provision	Details
Eligibility	RI residents and RI-based businesses
Exemption Limit	\$5,000/month or \$20,000/year (whichever reached first)
Compliance	Self-certification on annual tax return; records available for audit
Guidance	Dept. of Business Regulation to issue plain-language guidance
Duration	One-year pilot (Jan 1, 2027 – Jan 1, 2028)
Severability	Invalid provisions do not affect remainder of act

Questions for Fiscal Review

- What is RI's current tax revenue from cryptocurrency capital gains?
- How many RI taxpayers report crypto transactions under the \$20K threshold?
- What are implementation costs for Dept. of Revenue and Dept. of Business Regulation?
- What metrics should be tracked during the pilot year for sunset review?

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