



May 6, 2025

The Honorable Marvin L. Abney, Chairman
House Finance Committee
State House
Providence, RI 02902

Re: H.5473, An Act Relating to Taxation - Personal Income Tax

Dear Chairman Abney,

The undersigned members of the Rhode Island Business Coalition oppose House Bill 5473 which proposes a 50% tax increase on Rhode Islanders with personal income over \$625,000. This proposal will hurt our competitiveness and impede our efforts to grow our economy and add jobs as we head into unstable economic times.

Recent testimony from Moody's during the Revenue and Caseload Estimating Conference highlighted the potential uncertainty in the U.S. and Rhode Island economies due to the ongoing trade war. Moody's noted the following:

"The outlook for the U.S. economy in the coming year has been downgraded in response to the intensifying trade war. The April forecast now expects that the global trade war will result in a meaningfully weaker economy. Business and consumer confidence have fallen sharply, financial conditions are tightening, and recession risks are high."

Rhode Island already ranks near the top of states in the progressive nature of its income tax code. According to a recent analysis by the Rhode Island Public Expenditure Council (RIPEC), the top one percent of income tax returns account for 35% of the tax liability. By two different measures, Rhode Island has the 11th or 13th most progressive income tax in the country.

RIPEC's report also emphasized that this proposal is not only an income tax but a business tax as well. This is because most Rhode Island businesses are pass-through entities, meaning they report business income or losses through their individual return. In 2022, fifty-six percent of tax filers with income exceeding \$500,000 reported business income or losses.

In addition, Rhode Island's population growth has been fairly stagnant over the past several years. Between 2021 and 2024, our state ranked 13th worst in terms of domestic migration. Increasing taxes on business owners will only hinder the ability of employers to grow jobs and [The Rhode Island Business Coalition](#) represents 50 industries and 6,280 businesses that employ 231,200 people throughout Rhode Island.

expand in Rhode Island. Furthermore, the pandemic has changed how businesses operate. Many are more mobile than they were just a couple years ago. As a state, we need to enact policies that attract businesses, not drive them away.

While many proponents of this legislation point to Massachusetts enacting an income tax surcharge to argue Rhode Island should do the same. We believe it is important to call your attention to the fact that Massachusetts is an outlier relative to the rest of the country regarding changes in state income taxes. In fact, since 2020, twenty states have reduced their top income tax rate, only Massachusetts moved away from a single bracket over this time.

Lastly, the RIPEC report also highlighted the growth in income tax collections over the past six years, from \$1.4 billion to \$1.9 billion in the last fiscal year. This is an increase of 6.2%, contributing to strong general revenue growth, which have both far outpaced inflation of 3.7% over the same period.

Rhode Island benefits more by growing businesses and strong job growth, both of which are disincentivized under H.5473. For that reason, we ask the committee to not pass this legislation. As we head into uncertain economic times, Rhode Island must make every effort to promote policies that stimulate economic growth.

Sincerely,

American Council of Engineering Companies – Rhode Island Chapter

Associated Builders and Contractors – Rhode Island Chapter

East Greenwich Chamber of Commerce

Greater Newport Chamber of Commerce

National Federation of Independent Business

Revity

Rhode Island Bankers Association

Rhode Island Business Group on Health

Rhode Island Hospitality Association

Rhode Island Lumber and Building Materials Dealers Association

Rhode Island Manufacturers Association

Rhode Island Marine Trade Association

Rhode Island Staffing Association

Small Business Economic Summit Tax and Budget Committee

cc. House Finance Committee members