

The Village Common of Rhode Island

Aging Better Together

HOUSE COMMITTEE ON FINANCE

The Honorable Marvin L. Abney, Chair

Testimony by H. Philip West Jr on May 6, 2025,

in support 25-H 5473 by Rep. Karen Alzate

TAXATION — PERSONAL INCOME TAX

Thank you, Chairman Abney and members of the House Committee on Finance, for today's hearing and for your crucial work in preparing a responsible budget for the state.

My name is H. Philip West, Jr., and I serve as a volunteer lobbyist on behalf of The Village Common of Rhode Island, a statewide non-profit that enables older adults to live safely and independently in their homes. Each day, we deploy hundreds of volunteers in local villages to assist older adults with essential tasks. Our volunteer-centered approach enhances lives, strengthens communities, and saves money. Our motto is "Aging Better Together."

We recognize the fiscal challenge you face this year in trying to balance the state budget without pandemic relief funds, with looming cuts in federal funding, and with a real risk that the economy may be slipping into recession.

The Village Common of Rhode Island hereby urges you to recommend 25-H 5473 by Rep. Karen Alzate for passage. This legislation proposes a 3% surtax on taxable income above \$625,000 and can be reasonably expected to generate \$190 million in new revenue.

The nonpartisan Institute on Taxation and Economic Policy has analyzed and compared tax burdens in all fifty states and the District of Columbia. Analysts calculated (1) sales and excise taxes, (2) personal income taxes, and (3) property taxes as a percentage share of family income for five income levels. The report characterizes Rhode Island's tax structure as "moderately regressive" because the top twenty percent of taxpayers actually pay a smaller share of their income in various taxes than the lower four quintiles (see attached charts).

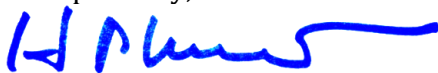
Fortunately for us, Massachusetts is showing how Rhode Island can create a fairer tax system. In 2022, Massachusetts voters approved a "Fair Share" ballot question that imposed a 4% surtax on the portion of annual household income that exceeds \$1 million. In May 2024, WGBH reported that the state had actually collected about \$1.8 billion from the surtax through the first nine months of the fiscal year, more than \$800 million above what had been projected.

The Rhode Island surtax proposed in 25-H 5473 is carefully designed to raise revenue without driving high-end taxpayers out of state. The proposed surtax will apply only to the portion of income above \$625,000. Under these terms, a taxpayer with a taxable income of \$650,000 would pay only an additional \$750 per year (3% of \$25,000 above the threshold), and someone with a \$1 million taxable income would see an increase of \$11,250 (3% of \$375,000 above the threshold).

Opponents may argue without proof that a surtax on income above \$625,000 will trigger a mass exodus of high-income earners. A 2023 analysis by the Center on Budget and Policy Priorities provides contrary evidence that (1) the vast majority of people who move to other states are not doing so to get lower taxes, and (2) large numbers of households move into higher-tax states every year. The attached chart from the Center on Budget and Policy Priorities shows that from 2011-2021 Rhode Island gained more high-income households than it lost.

On behalf of The Village Common, I urge the Committee on Finance to recommend 25-H 5473 for passage.

Respectfully,








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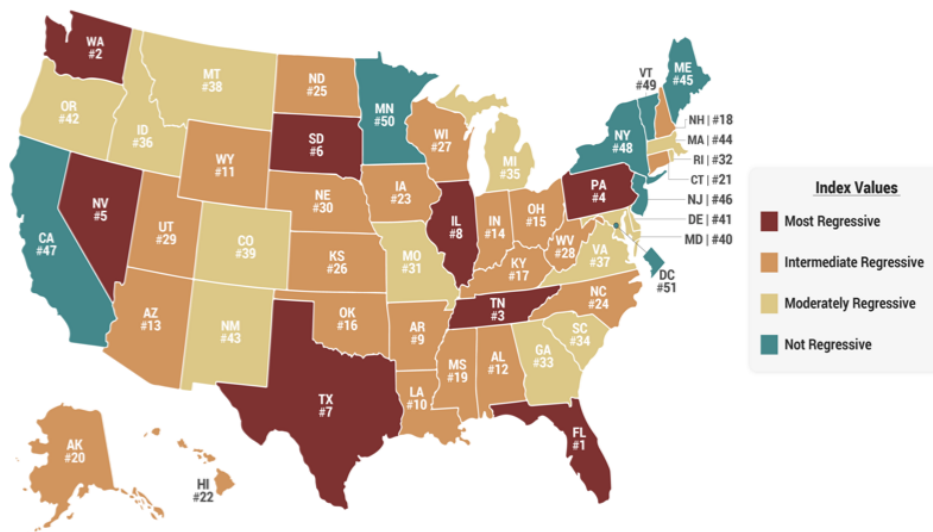
RHODE ISLAND STATE AND LOCAL TAXES

Who Pays? A Distributional Analysis of the Tax Systems in All 50 States

Seventh Edition, January 2024, Institute on Taxation and Economic Policy

Individual figures may not sum to totals due to rounding.							
Top 20%							
Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income Range	Less than \$22,300	\$22,300 to \$46,900	\$46,900 to \$80,900	\$80,900 to \$135,900	\$135,900 to \$259,300	\$259,300 to \$626,200	Over \$626,200
Average Income in Group	\$12,700	\$35,000	\$62,000	\$107,100	\$172,600	\$363,400	\$924,500
 Sales & Excise Taxes	7.4%	5.1%	4.4%	3.3%	2.5%	1.7%	1.1%
General Sales—Individuals	2.8%	2.6%	2.3%	1.9%	1.4%	0.9%	0.4%
Other Sales & Excise—Ind.	3.6%	1.7%	1.2%	0.8%	0.5%	0.4%	0.2%
Sales & Excise—Business	0.9%	0.8%	0.8%	0.7%	0.6%	0.5%	0.4%
 Property Taxes	6.5%	3.7%	3.2%	4.3%	3.7%	3.2%	2.8%
Home, Rent, Car—Individuals	5.9%	3.1%	2.7%	3.7%	3.2%	2.5%	1.1%
Other Property Taxes	0.6%	0.5%	0.5%	0.5%	0.5%	0.8%	1.7%
 Income Taxes	-0.8%	0.9%	1.9%	2.7%	3.1%	4.1%	4.6%
Personal Income Taxes	-0.8%	0.9%	1.9%	2.7%	3.0%	4.0%	4.6%
Corporate Income Taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
 Other Taxes	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%
 TOTAL TAXES	13.3%	9.8%	9.6%	10.4%	9.4%	9.1%	8.6%

RANKING STATE AND LOCAL TAX SYSTEMS FROM MOST TO LEAST REGRESSIVE



State Taxes Have a Minimal Impact on People's Interstate Moves

By Michael Mazerov, August 9, 2023, Center on Budget and Policy Priorities

Large Majority of High-Income Households Leaving Higher-Tax States Are Replaced by Ones Moving In (Annual Average, 2011-2021)

State	Households Moving Out	Households Moving In	Share of Departing Households Replaced by New Arrivals
New York	18,275	8,357	46%
Illinois	9,579	4,664	49%
California	22,577	14,847	66%
Maryland	5,167	3,613	70%
Minnesota	2,769	2,015	73%
West Virginia	556	407	73%
New Jersey	9,120	6,974	76%
Massachusetts	5,914	4,642	78%
Iowa	1,065	849	80%
Connecticut	4,268	3,461	81%
Kentucky	1,353	1,237	91%
Wisconsin	2,142	2,037	95%
Rhode Island	686	733	107%
Hawai'i	758	961	127%
Oregon	2,140	2,813	131%
Vermont	394	550	140%
Delaware	663	971	146%
Maine	555	979	176%