

To: Chairman Abney and members of the House Finance Committee:

In support of HB 5758 – Social Security State Tax Elimination

I am Dan Liparini, and I am writing in support of eliminating the state tax on Social Security Income (SSI).

It is clear that Rhode Island Legislators recognize that SSI should not be taxed. That is why there is no tax on SSI after a person has turned 67 and makes less than \$130,250 (for a married couple) or \$104,200 (for a single person). And Rhode Island also provides a \$20,000 pension/401K withdrawal exemption (increasing to \$50,000 for this tax year) for this same group of citizens, recognizing that retired people have worked hard for their retirement and deserve to keep their savings and SSI without taxation.

But unlike 42 other states, Rhode Island does tax both SSI and Pension/401K withdrawals in full for people who are not yet 67 or who exceed the above income thresholds after the age of 67. This can result in large increases in an individual's state income tax, and the largest increases affect lower incomes more than higher incomes on a percentage basis.

A few examples that I have included in a separate PDF, based upon the 2024 tax program, show the issue, but I will summarize starting with my own information.

My wife and I both reached full retirement age, and while we are above the \$130K income threshold, we are certainly not high income. But the tax on SSI has increased our state tax by 50% each of the last two years. While this seems like a pretty big increase for a retired couple, there are people who are impacted a lot worse.

Most people claim SSI at age 65 or before, and therefore are taxed for several years, regardless of income. Their tax can increase from several hundred dollars without SSI to several thousand dollars, just due to SSI. If you include the loss of the exemption for pension/401K withdrawals, they can go from no taxes to several thousand dollars. Early claimers usually do so because they need the money – yet they are hit with a big tax bill.

The second group that I looked at is those who just cross over the “Not Really Rich” income level (\$130,250 for married couples, \$104,200 for singles). Just earning a few thousand dollars more than that can see taxes increase by several thousand dollars.

I included higher incomes, just so you could see that on a percentage basis, they are impacted less than the other groups.

If this was really intended to be a tax on rich people, it doesn't seem to be working as intended.

Please pass this important legislation.

Sincerely,

Daniel Liparini