



Testimony of Catherine Taylor, AARP Rhode Island
In support of House Bill 5758
House Finance Committee
May 13, 2025

Chairman Abney and members of the House Finance Committee:

AARP is a nonpartisan, social mission organization with 38 million members nationwide and nearly 125,000 members here in Rhode Island. We advocate on behalf of issues that impact older adults, and we appreciate the opportunity to offer our support for eliminating the state income tax on Social Security as House Bill 5758 from Representative Lima proposes to do.

Assuring that our members are financially secure in retirement is a key component of our advocacy. Rhode Island is one of only 8 states that still tax hard-earned Social Security benefits. State taxes on Social Security benefits in Rhode Island undermines the purpose of Social Security, which was designed to lift seniors out of poverty – not to fund state government.

More than one in five Rhode Island residents — 236,877 people — receive Social Security benefits. Annual Social Security benefits to Rhode Islanders pump at least \$5 billion into the state economy, with \$3.9 billion paid annually to those receiving retirement benefits and their eligible family members, \$449 million via survivors' benefits, and an additional \$644 million paid through the disability program.¹ Recipients buy goods and services with their Social Security benefits, increasing business sales, which help not only the companies making those sales but also the firms that supply them. The result is more jobs and income to businesses and workers in Rhode Island.

In Fall of 2023, AARP RI surveyed 700 Rhode Islanders aged 45 and over about Financial and Retirement issues. When asked, the majority (89%) of residents say they agree that "Rhode Island lawmakers should repeal the state tax on Social Security." This sentiment is consistent regardless of age, gender, or political party.

Out of the 29% of Rhode Island residents age 45+ who have considered living in another state for retirement, or are still unsure about it, nearly three in five say they are more likely to stay in Rhode Island if the Social Security income tax is eliminated. In addition, the majority of Rhode Island adults aged 45+ say it is extremely or very important to have adequate Social Security benefits available in the future (91%). 88,263 (44%) Rhode Islanders 65 or older rely on Social Security as 50% of their family income. 41,845 Rhode Islanders 65 or older rely on Social Security as 90% of their family income.

The state of Rhode Island offers an exemption from taxes on Social Security if three requirements are met.

¹ <https://public.tableau.com/app/profile/aarp.research/viz/SocialSecurityQuickFacts/QuickFacts>

- 1) Some portion of a taxpayer's social security is subject to federal income tax.
- 2) A taxpayer must have reached full retirement age in accordance with the Social Security Administration.
- 3) A taxpayer's federal AGI must be below the annual threshold, which is subject to inflation, for their filing status.

The 2024 annual thresholds were:

Single - \$104,200
Married Joint - \$130,250
Qualifying Widow(er) - \$130,250
Married Separate - \$104,225
Head of Household - \$104,200

In 2022, 91,020 Rhode Islanders filed income tax returns that contained taxable Social Security income. Out of those 91,020 filers, only 9% (7,990) had an annual income of over \$200,000. 25% (22,740) of filers earned between \$100,000 and \$200,000. 35% (31,530) of filers earned between \$50,000 and \$100,000.² What is important to focus on is that regardless of your annual income, anyone who takes Social Security prior to the full retirement age of 67 is taxed in Rhode Island. Rhode Islanders across income levels are having their Social Security taxed, not just those making over \$100,000.

There are a variety of reasons for people taking Social Security prior to the full retirement age of 67. In 2021, Philip Armour and David Knapp of the RAND Corporation published a study titled, "The Consequences of Claiming Social Security Benefits at Age 62."³ The findings of this study showed that for both men and women, individuals who claim Social Security benefits at 62, as compared with those who claim later:

- Have less education, on average;
- Are more likely to live in rural areas;
- Are more likely to already have a work-limiting health condition;
- Have a lower reported likelihood of living to age 75;
- Are less likely to have a job before turning age 62;
- If employed before turning age 62, earn less, on average; and
- If employed before turning age 62, are more likely to have a physically demanding job.

In a companion study titled, "The Changing Picture of Who Claims Social Security Early"⁴, Armour and Knapp found that

²<https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.irs.gov%2Fpub%2Firs-soi%2F22in40ri.xlsx&wdOrigin=BROWSELINK>

³ <https://www.aarp.org/pri/topics/work-finances-retirement/social-security/-the-consequences-of-claiming-social-security-benefits-at-age-62/>

⁴ <https://www.aarp.org/pri/topics/work-finances-retirement/social-security/the-changing-picture-of-who-claims-social-security-early/>

- Age-62 claimants stop working earlier and cash out defined contribution plans sooner.
- Age-62 claimants have lower household income throughout their 60s and 70s (on average, \$10,000–\$20,000 less in annual household income).
- Age-62 claimants in their 70s have substantially less liquid wealth than do later claimants at similar ages (on average, 27 percent lower at age 74 and 43 percent lower at age 80).
- Measures of financial hardship and mortality rates are not statistically or substantively different between the two claiming groups into their 70s.

According to a study conducted by SmartAsset, the income range for the Rhode Island middle class in 2022 was between \$56,642 and \$169,944.⁵ The state income tax on Social Security is a heavy burden on the middle-class retiree and those who need to take their money prior to the age of 67. Remember, only 8% of tax return filers in 2023 had an annual income of over \$200,000 while 60% of filers had an annual income between \$50,000 and \$200,000.

With so many Americans struggling to afford health care and other basic needs, the promise of Social Security is more important than ever. A 2024 House Fiscal note cited a projected revenue loss of \$41,932,632 upon full elimination of the state income tax on Social Security. The truth is that the state of Rhode Island has been relying on over \$40 million dollars of older Rhode Islander's hard-earned money to line its coffers each year. That must stop. AARP Rhode Island will never stop fighting to protect Social Security and make sure hard-working Rhode Islanders get the benefits they have earned. Thank you for allowing me to testify in support of this important piece of legislation. AARP Rhode Island asks that you recommend passage on House Bill 5758.

Sincerely,

A handwritten signature in black ink, appearing to read "Catherine Taylor", with a stylized flourish at the end.

Catherine Taylor

State Director, AARP Rhode Island

⁵ <https://smartasset.com/data-studies/middle-class-2025>