**Rhode Island Manufacturers Association**

*The Economic Engine for Rhode Island*

May 19,2025

The Honorable Marvin L. Abney, Chairman
House Finance Committee
State House
Providence, RI 02903

Ref. H-6290 Relating to Taxation-Wealth tax

As the Executive Director of Rhode Island Manufacturers Association, we are opposed to this legislation for many reasons. From Constitutional view, a wealth tax might not be constitutional. **Wealth can be difficult to measure.** Unlike flow figures, stock values are often estimates. While companies with publicly traded shares report a closing price every business day, significant wealth exists in the form of illiquid assets of uncertain value: privately held companies, real estate, fine art, collectibles, jewelry, etc. The infrastructure required to administer a wealth tax, including estimating and adjudicating the value of such assets, combined with the inherent conflict associated with IRS officials structurally incentivized to err to the higher side, present significant opportunities for abuse. A wealth tax is distinct from other taxes such as capital gains taxes and federal income taxes because it seeks to tax unrealized income, meaning that it seeks to tax gains in wealth that aren't realized from the sale of capital.

1. **The taxable obligation is wholly detached from a liquidity event.** Unlike income and capital gains taxes, a wealth tax is entirely untethered from a liquidity event. "Asset-rich, cash-poor" taxpayers may be forced to sell assets to meet their tax obligations, risking destabilizing asset and capital markets.
2. **What happens when assets go down in value?** The existing U.S. tax code incorporates a measure of symmetry, in that taxable losses can be used to offset income or gains (even if their use is capped and/or deferred); large swings in asset prices — not difficult to imagine when considering the stock market's oscillations — could create significant volatility and unpredictability in tax collections. There is also the risk of "procyclicality": a tax regime in which wealth-related losses in a given year can yield tax credits, refunds or simply lower receipts would risk reducing federal tax revenue just as asset prices are collapsing, straining both the real economy and the public fisc.
3. **Double-dipping (or worse).** Many Americans loathe the federal estate tax precisely because it taxes at death the stock of one's accumulated income (or wealth), which had previously been subjected to annual income taxation. **Introducing a wealth tax could triple-tax the same dollar earned first as income, then as wealth and ultimately as a taxable estate upon death**. These tax structures would either coexist as a potential "triple whammy" to taxpayers or necessitate a dog's breakfast of credits and offsets among the various tax regimes, further complicating an already Byzantine tax code.
4. **A vast piggy bank, broken wide open.** The massive amount of wealth created by the U.S. economy over the last four decades would offer big spenders in Rhode Island or Washington a

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golden opportunity to further increase the size and scope of the state or federal government. It requires little imagination to envision legislature's 1 percent levy on wealth.

For these and other reasons, a wealth tax is a bad idea likely made far worse in its execution should it ever materialize. It would be far better had that we simply slam the door shut and make it explicit that the fantasies of a wealth-based tax are plainly unconstitutional.

In addition, the wealth tax legislation gives Rhode Island an image of anti-business. The state spends as much revenue as it can generate. It operates opposite of how a private sector business runs their operation. If the state is short on revenue, they look for where they can tax to generate revenue rather than stop spending and make cuts. Proponents of this bill look to the business community to generate more revenue for them to spend. The revenue well is drying up as the business community will no longer sit idlily by. Critical decisions will be made to curtail expansion, hiring or look to move their operations to "business friendly" environment. I urge you all that this bill must not be passed. It is detrimental to our state, our businesses and the people who have invested in our state,

Sincerely,

Dave

David M. Chenevert

Executive Director, Rhode Island Manufacturers Association