May 21, 2025

Honorable Marvin L. Abney
Chairman, House Finance Committee
Rhode Island State House
82 Smith Street
Providence, RI 02903

RE: H6290 - AN ACT RELATING TO TAXATION – WEALTH TAX

Dear Chairman Abney and Honorable Members of the House Finance Committee:

As Board Chair of Rhode Island Business Leaders Alliance (the "Alliance"), I am grateful for the opportunity to provide the House Finance Committee with this written testimony in opposition to H6290 - AN ACT RELATING TO TAXATION – WEALTH TAX, which imposes a wealth tax on Rhode Island individuals and entities at a rate of one percent (1%) of worldwide wealth.

A tax on wealth would significantly undermine investment and economic growth in Rhode Island. Tax Foundation analysts note that a 1% wealth tax on a $50 million investment held for ten years would slash the owner's after-tax gains by nearly 20%. In other words, H6290 effectively acts like a heavy tax on investment returns. This kind of tax would cut deeply into investment returns, to the detriment of the broader economy. By taxing accumulated assets rather than income flows, it penalizes saving and impedes capital formation.

Wealth taxes also stifle entrepreneurship and job creation. Unlike income, which is earned periodically, wealth is the result of past savings and investment. The Tax Foundation warns that "wealth taxes disincentivize entrepreneurship, leading to less innovation and less long-term growth." Indeed, by shrinking the capital stock available for business expansion, such taxes "reduce wages, destroy jobs, and reduce the stock of capital."

In a small state like Rhode Island, even a modest reduction in investment can have outsized effects on local businesses. The proposed wealth tax would act as an additional layer of taxation on business assets – essentially a penalty on those who choose to invest and reinvest in Rhode Island business enterprises. In effect, entrepreneurs would take home less reward for their risk, potentially discouraging new business ventures and expansions.

Perhaps most critically, imposing a wealth tax risks driving away the very individuals and capital Rhode Island needs to prosper and whose taxes fund our state's social safety net programs. Wealthy individuals and successful business owners are extremely mobile; research shows that "high-income individuals are very sensitive to tax increases, both internationally and within countries."

When top earners can move to avoid a new tax, even a small number of departures can erode the state's tax base. Recent data from other states bear this out. For example, a Tax Foundation analysis of Washington State's proposed 1% wealth tax (on wealth above $250 million) noted that just one billionaire's decision to move to Florida would have wiped out roughly 45% of the state's projected tax revenue. As that analysis observes, when a tax depends "so overwhelmingly on a very small number of taxpayers choosing to stay put," it creates a tipping point: driven out, those wealthy residents take their investments (and tax payments) with them. They also take with them their philanthropic giving.

New York illustrates this risk at a broader scale. The New York Department of Taxation reports that more than 1,800 millionaires left that state in 2023 alone. Many relocated to low-tax states like Florida and Texas, which each saw net inflows of high-income households. A recent analysis of IRS migration data found that Florida gained nearly 30,000 households earning over $200,000, while California and New York each lost roughly 12,000–25,000 high-income households in a single year. These trends underscore that even among millionaires and billionaires, tax policy affects where people choose to live. If Rhode Island were to adopt a 1% wealth tax on worldwide wealth, we should expect some portion of our state's wealthiest business owners, entrepreneurs, and investors will reconsider their residency. Losing these individuals — and the jobs and community investments they support—would irreparably harm Rhode Island's economy and reduce future tax revenues.

In summary, H6290 would impose a disruptive and untested tax on Rhode Island's strongest investors and businesses. It offers little benefit relative to its significant risks. By design, a wealth tax would mainly affect a few very wealthy individuals — but these individuals play an outsize role as business founders, employers, clients of local professionals, and philanthropists. Imposing a 1% tax on their wealth would dramatically reduce their incentives to invest and do business here in Rhode Island. Indeed, experts note that wealth taxes have repeatedly been repealed or blocked in other countries because they "raise little revenue, create high administrative costs, and induce an outflow of wealthy individuals and their money." Ranked at the bottom of national rankings for its business climate, Rhode Island cannot afford to become a test case for such a radical tax policy.

For these reasons, the Rhode Island Business Leaders Alliance respectfully urges you to oppose H6290.

Respectfully submitted by:

Melissa Travis

Melissa Travis, Board Chair
Rhode Island Business Leaders Alliance