



STATE OF RHODE ISLAND
OFFICE OF GOVERNOR DANIEL J. MCKEE

March 3, 2026

The Honorable Marvin L. Abney, Chairman
House Committee on Finance
Rhode Island House of Representatives
82 Smith Street
Providence, RI 02903

Dear Chair and Members of the House Committee on Finance,

My number one priority is affordability. Across Rhode Island, families and seniors are feeling the pressure of rising prices, from health insurance and prescription drugs to utility bills and everyday necessities. Steep and erratic tariffs and H.R. 1 have only intensified those challenges.

My FY 2027 budget recommendation advances a comprehensive *Affordability for All* agenda, including proposals such as lowering the gas tax, reducing charges on utility bills, and increasing accountability for pharmacy benefit managers that are driving up prescription drug costs. This evening, however, you are considering two central pillars of that agenda: creating Rhode Island's first Child Tax Credit and eliminating the state income tax on Social Security benefits.

Rhode Island remains one of only eight states that taxes Social Security benefits. Seniors living on fixed incomes are facing disproportionate financial strain from rising healthcare and prescription drug costs, compounded by broader inflation. My proposal phases out this tax over three years, beginning in tax year 2027 with the elimination of the age threshold. In that first year alone, 9,200 Rhode Island residents will benefit. These are largely middle-class retirees who worked hard, played by the rules, paid into the system for decades, and now deserve to keep more of what they earned. In tax year 2028, an additional 11,600 residents will see relief, followed by 11,200 more in tax year 2029. At full implementation, approximately 32,000 Rhode Island taxpayers will no longer pay state income tax on their Social Security income, delivering an estimated \$60.1 million in annual relief by FY 2030 and keeping more money in Rhode Islanders' pockets where it belongs.

At the same time, my budget creates a fully refundable Child Tax Credit of \$325 per child per year, replacing the current dependent exemption. Today, 31,200 Rhode Island filers earn too little to benefit from the existing deduction. Under the current structure, those with higher incomes receive a larger dollar benefit, while many working families receive nothing at all. That is not fair, and it is not aligned with our values. By converting the deduction into a refundable credit, we ensure equal treatment and real relief for every family. More than 120,000 Rhode Island families,

including nearly 200,000 children, will benefit. This policy will deliver nearly \$30 million in tax relief every single year, making it one of the most progressive tax reforms in recent Rhode Island history and putting meaningful dollars back into the pockets of the families who need it most.

As I noted in my [budget letter](#), if additional revenue becomes available following the May Revenue Estimating Conference, I urge the Committee to consider dedicating those funds to a supplemental young child bonus for children under age five as part of my proposed Child Tax Credit.

These proposals are practical, targeted, and fiscally responsible steps to strengthen household budgets and support families and seniors at a time when the cost of living is top of mind. They reflect a clear commitment to keeping more money in Rhode Islanders' pockets and making our state more competitive and affordable.

I respectfully urge the Committee to support these initiatives and advance these central components of my *Affordability for All* agenda.

Sincerely,

A handwritten signature in black ink that reads "Daniel J. McKee". The signature is written in a cursive, flowing style.

Daniel J. McKee
Governor