

March 3, 2026

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

Re: HB7127 - An Act Relating to Making Revised Appropriations in Support of FY 2027, Article 5 Section 1, - Support; Article 5 Section 2, 5, and 6 - Concerns

Dear Chairman Abney:

On behalf of Walco Electric Company, a Rhode Island-based Industrial Repair, Service, Sales and Automation company employing sixty-six (66) Rhode Islanders, I am writing regarding several provisions within Article 5 of HB7127.

I support the Rhode Island Tax Amnesty Act in Article 5, Section 1, and I thank the Governor for including it in his proposed budget. A structured, time-limited amnesty program is responsible fiscal policy that generates one-time revenue, improves compliance, and strengthens the tax base without increasing rates on employers who are already meeting their obligations. It is a balanced approach that supports fiscal stability while maintaining competitiveness.

However, I have serious concerns regarding the proposed high-earner income tax increases in Article 5, Sections 2, 5, and 6. Rhode Island is a small state competing in a highly mobile regional economy. Increasing the top marginal income tax rate to nearly 9% materially changes how Rhode Island compares to neighboring jurisdictions that are actively recruiting businesses, executives, and investment capital.

In addition to individual taxpayers, this proposal will impact many Rhode Island businesses, including ours. Many companies are structured as pass-through entities such as S-corporations, partnerships, or limited liability companies (LLCs). Business income flows through to owners and is taxed at individual rates. As a result, raising the top personal income tax rate functions as a tax increase on operating businesses.

To be clear, this is not passive investment income. It is active business income that supports:

- Payroll and benefits
- Hiring decisions
- Wage growth
- Equipment purchases
- Facility expansion
- Reinvestment in Rhode Island

Higher marginal tax burdens will reduce available capital for growth. When expansion capital declines, hiring slows. When business owners reconsider where to grow, employment opportunities shift outside Rhode Island.

Even modest relocation or deferred expansion decisions can offset projected revenue gains while creating long-term economic harm. In today's environment, high-income business owners and executives are increasingly mobile. Losing even a small number of employers can translate directly into lost jobs and reduced payroll growth.

Rhode Island's long-term fiscal strength depends on expanding the economic base: growing businesses, increasing employment, and attracting investment. As such, I respectfully urge careful reconsideration of Sections 2, 5, and 6 while advancing the tax amnesty program in Section 1.

Thank you for your leadership and your consideration of the perspective of Rhode Island employers.

Sincerely,



Ellis S Waldman

President