



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 the Rhode Island Business Leaders Alliance, we write regarding several provisions within Article 5 of the proposed FY2027 Budget, HB7127.

We strongly support the Rhode Island Tax Amnesty Act in Article 5, Section 1, and thank the Governor for including it in his proposed budget. A structured, time-limited amnesty program is responsible fiscal policy. It generates immediate one-time revenue, strengthens long-term compliance, and broadens the tax base without increasing rates on compliant employers or residents. It is a smart mechanism to produce needed revenue while preserving Rhode Island's economic competitiveness.

We must, however, express serious concern regarding the proposed high-earner income tax increases in Article 5, Sections 2, 5, and 6.

Rhode Island is a small state operating in an intensely competitive regional economy. Increasing the top marginal rate to nearly 9 percent materially changes our competitive position relative to neighboring states and others that are aggressively recruiting high-income professionals, entrepreneurs, and business owners.

The individuals affected by these provisions are not abstract revenue categories. They are:

- Owners of small and mid-sized businesses
- Investors who provide expansion capital
- Senior executives making location decisions

- Professional service firm leaders employing Rhode Islanders

Importantly, a significant share of Rhode Island businesses are organized as pass-through entities including S-corporations, partnerships, and LLCs. These businesses do not pay corporate income tax. Their operating income flows through to the owner's individual return and is taxed at personal income tax rates.

As a result, increasing the top individual rate is effectively a tax increase on operating businesses across Rhode Island.

This is not a tax on passive investment income. It is a tax on active business earnings that supports payroll, equipment purchases, retained earnings, and reinvestment. By embedding the higher rate into withholding and estimated payment structures, these proposals within Article 5 would have an immediate and structural impact for these employers.

Higher marginal tax burdens on pass-through businesses directly reduce available capital for:

- Hiring additional employees
- Increasing wages
- Expanding facilities
- Investing in technology and equipment

When expansion capital declines, job growth slows. When business owners reconsider where to grow or reinvest, employment opportunities shift elsewhere. In a state our size, even modest relocation or deferred expansion decisions can eliminate the projected revenue gains while leaving long-term economic damage behind.

High-income taxpayers are also among the most geographically mobile. In today's environment, particularly with remote work reducing location constraints, marginal rate increases materially affect residency and investment decisions. Losing even a small number of top earners who are also employers can result in job losses, reduced payroll growth, and contraction of the broader tax base.

Rhode Island's long-term fiscal health depends on economic expansion: growing businesses, increasing payrolls, and attracting investment; not narrowing the base by increasing marginal rates on the very individuals most responsible for job creation.

We fully appreciate the complexity of balancing the state budget and investing in shared priorities. We respectfully urge reconsideration of Sections 2, 5, and 6 and welcome the

opportunity to work collaboratively on solutions that generate sustainable revenue while protecting Rhode Island's competitiveness and employment growth.

The business community stands ready to partner with you to build a stronger, more resilient economy for all Rhode Islanders. Thank you for your consideration and continued leadership.

Respectfully submitted,

Gregory Tumolo

Executive Director

Rhode Island Business Leaders Alliance

CC: Members of the House Finance Committee