



March 3, 2026

The Honorable Marvin L. Abney
Chair, House Finance Committee
Rhode Island State House
Providence, RI 02903

Re: H 7127 -- Budget Article 5, Relating to Taxes and Fees, Sections 2 and 6

Dear Chairman Abney,

I am writing on behalf of the Rhode Island Bankers Association (“RIBA”) to express our opposition to certain sections in the above-captioned Budget Article. These sections would add a fourth income tax bracket of 8.99 percent for income over \$1.0 million, effective beginning in tax year 2027. Rhode Island currently has three tax brackets at income levels that are adjusted annually for inflation, with the highest at 5.99 percent and applicable to incomes above \$186,450 for tax year 2026. Because the thresholds in the statute are from 2011, the current highest tier reads as \$125,000. Similarly, the proposed new tier is expressed as the 2011 equivalent of \$1.0 million, adjusted for 16 years of inflation, which is \$648,398.

While a proposed millionaires’ tax may produce a “sugar high” of revenue for some brief period of time, such a proposal will result in significant negative and counterproductive long-term consequences and is bad public policy for the State of Rhode Island.

Loss of Tax Base and Reduced Economic Growth and Investment: Recent studies¹ indicate that for every dollar generated by such taxes, a significant portion can be lost due to behavioral responses, including migration, reducing overall expected revenue. High-net-worth Rhode Islanders are highly mobile and may relocate to states with lower tax burdens to protect their assets, particularly those in retirement or with high capital gains. Additionally, out-of-state high-net-worth individuals may reconsider plans to move to attractive cities and towns within Rhode Island. The proposed tax will reduce the incentive to work and invest within the state, as it lowers the after-tax returns for high-income and talented earners.

In recent years, Rhode Island has shown a slight growth in total population, bucking historical trends and putting the state’s population back on an even keel and among the upper third in growth. Ill-considered tax policy can reverse that positive momentum.

High Revenue Volatility: Revenue from millionaire taxes is often highly volatile, rising during economic booms but falling sharply during downturns, which can make it difficult to maintain long-term funding for public projects like education or infrastructure.

¹ See, for example: <https://www.cato.org/blog/return-wealth-tax-evidence-against-them-stronger-ever>

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Impact on Small Businesses: Many small businesses are structured as pass-through entities, meaning the owner's personal income tax is used to pay business taxes. A millionaire's tax can hit these business owners particularly hard, restricting their ability to reinvest in, expand, or sustain their companies. Additionally, implementing these taxes can be complex and expensive for both the state and the taxpayer.

Increased Tax Burden on Other Residents: If a millionaire tax brings in less revenue than projected—as occurred in some analyses of Massachusetts², where revenue was initially estimated at half of the promised amount—lawmakers may feel pressured to raise taxes or fees on the middle class to fill the budget gap.

Reduced Competitiveness: High-tax states may become less attractive to new business ventures and talent, as neighboring states with lower taxes (or with no income tax, such as Florida) offer a more competitive environment.

The proposed tax will stifle entrepreneurship, angel investing, competitiveness and overall economic dynamism and growth while producing volatile and potentially declining returns. Given the disruption and uncertainty of implementing this highly questionable proposal, and the possibility of future second guessing of this action, we strongly urge the General Assembly not to pass this measure.

We are available at your convenience to further discuss our concerns.

Sincerely,

RHODE ISLAND BANKERS ASSOCIATION

A handwritten signature in black ink that reads "Will Farrell". The signature is written in a cursive, slightly slanted style.

Will Farrell

² See: Beacon Hill Institute: [chrome-extension://efaidnbmnnnibpcjpcglclefindmkaj/https://d3n8a8pro7vhmx.cloudfront.net/fiscalalliancefoundation/pages/60/attachments/original/1623160435/6.8.2021_BHI_Study_Commissioned_by_the_Fiscal_Alliance_Foundation.pdf?1623160435](https://efaidnbmnnnibpcjpcglclefindmkaj/https://d3n8a8pro7vhmx.cloudfront.net/fiscalalliancefoundation/pages/60/attachments/original/1623160435/6.8.2021_BHI_Study_Commissioned_by_the_Fiscal_Alliance_Foundation.pdf?1623160435)