



March 3, 2026

The Honorable Marvin L. Abney, Chairman
House Finance Committee
State House
Providence, RI 02903

Re: H.7127, Article 5, Sections 2 and 6

Dear Chairman Abney,

The undersigned members of the Rhode Island Business Coalition oppose Article 5, Sections 2 and 6 of the Governor's budget which proposes a tax increase on all pass-through entities and Rhode Islanders with personal income over \$1 million. This proposal will hurt our competitiveness and impede our efforts to grow our economy and add jobs as we continue to deal with unstable economic times.

This tax will not only impact Rhode Island small businesses currently in the state by increasing their taxes regardless of income level. In addition, it will be a disincentive for businesses looking to grow or move to this state as it discourages investment in the company and the focus of growing jobs.

Rhode Island already ranks near the top of states in the progressive nature of its income tax code. According to a recent analysis by the Rhode Island Public Expenditure Council (RIPEC), the top one percent of income tax returns account for 35% of the tax liability. By two different measures, Rhode Island has the 11th or 13th most progressive income tax in the country.

RIPEC's report also emphasized that this proposal is not only an income tax but a business tax as well. This is because most Rhode Island businesses are pass-through entities, meaning they report business income or losses through their individual return. In 2022, fifty-six percent of tax filers with income exceeding \$500,000 reported business income or losses.

In addition, Rhode Island's population growth has been fairly stagnant over the past several years. Between 2021 and 2024, our state ranked 13th worst in terms of domestic migration. Increasing taxes on business owners will only hinder the ability of employers to grow jobs and expand in Rhode Island. Furthermore, the pandemic has changed how businesses operate. Many

The Rhode Island Business Coalition represents 50 industries and 6,280 businesses that employ 231,200 people throughout Rhode Island.

are more mobile than they were just a couple years ago. As a state, we need to enact policies that attract businesses, not drive them away.

While many proponents of this legislation point to Massachusetts enacting an income tax surcharge to argue Rhode Island should do the same. We believe it is important to call your attention to the fact that Massachusetts is an outlier relative to the rest of the country regarding changes in state income taxes. In fact, since 2020, twenty states have reduced their top income tax rate, only Massachusetts moved away from a single bracket over this time.

Lastly, the RIPEC report also highlighted the growth in income tax collections over the past six years, from \$1.4 billion to \$1.9 billion in the most recent fiscal year. This is an increase of 6.2%, contributing to strong general revenue growth, which have both far outpaced inflation of 3.7% over the same period.

Rhode Island benefits more by growing businesses and strong job growth, both of which are disincentivized under this budget proposal. For that reason, we ask the committee to not pass this budget article. As we head into uncertain economic times, Rhode Island must make every effort to promote policies that stimulate economic growth.

Sincerely,

Associated Builders and Contractors – Rhode Island Chapter
David Chenevert, Chairman, Rhode Island Business Coalition
East Greenwich Chamber of Commerce
National Federation of Independent Business
North Kingstown Chamber of Commerce
Northern Rhode Island Chamber of Commerce
Rhode Island Bankers Association
Rhode Island Builders Association
Rhode Island Lumber and Building Materials Dealers Association
Rhode Island Small Business Economic Summit Regulations Subcommittee
Rhode Island Small Business Summit Tax and Budget Committee
Rhode Island Society of CPAs

cc. House Finance Committee members