

May 7, 2026

House Committee on Finance
Rhode Island State House
housefinance@rilegislature.gov

Re: **Testimony Supporting H7313**

Dear Chair Abney and Honorable Committee Members,

Thank you for the opportunity to provide testimony in support of this important legislation.

Rhode Island's tax system currently asks the least of those who have the most. According to the Institute on Taxation and Economic Policy, the lowest-earning 20% of Rhode Islanders—households making under \$22,300—pay 13.3% of their income in state and local taxes, while the top 1%, earning above \$626,200, pay just 8.6%. That is not a gap in the tax code. It is an inversion. **A household earning \$20,000 is contributing a larger share of its income to state and local government than a household earning \$700,000.** When low-income families pay a higher effective rate than the wealthiest residents, the structure is regressive by definition, and it falls hardest on those with the narrowest margins.

Rhode Island's income disparities are larger after state and local taxes are collected than before. The top quintile of households earns roughly 16 times what the bottom quintile earns, and the current tax structure widens that gap rather than narrowing it. Nearly 40% of Rhode Islanders face food insecurity. There is no community in this state where a household earning under \$60,000 can afford the average rent on a two-bedroom apartment. In most communities, it takes \$75,000 or more. The child poverty rate stands at over 15%. These are not abstract statistics. They describe the daily reality of working families whose economic position is made worse, not better, by the way Rhode Island collects revenue. Only 21.4% of state government revenue comes from income tax. The rest comes from property taxes, sales taxes, and fees, sources that consume a disproportionate share of low- and middle-income household budgets.

The urgency of this bill has only increased since the passage of HR1 last year. **That federal law delivered approximately \$4.5 trillion in tax cuts over ten years, primarily benefiting wealthy households and corporations, while cutting nearly \$1 trillion from Medicaid and \$186 billion from SNAP over the same period.** In Rhode Island, the consequences are already taking shape: more than 30,000 residents are at risk of losing Medicaid coverage, at least 2,300 households face the loss of SNAP benefits entirely, and uncompensated care costs at Rhode Island hospitals could rise by an estimated \$400 million over the next decade. The top 1% of earners nationally received roughly \$1 trillion in tax reductions under the same law that stripped these protections. **H7313 does not undo that federal windfall, but it asks Rhode Island's highest earners to contribute a fraction of it back at the state level so that the safety net losses driven by federal policy do not fall entirely on the people who can least afford them.**

The \$640,000 threshold in H7313 is the right target, and this Committee should not be persuaded to narrow the proposal to a millionaires-only bracket. The Governor's FY 2027 budget proposes an 8.99% rate only on income above \$1 million. That approach leaves out the substantial majority of top-1% earners. The top 1% threshold in Rhode Island begins at roughly \$640,000 in taxable income, with an average total pre-tax income of about \$772,000. ITEP estimates that the

broader threshold in H7313 would generate approximately \$190 million per year — meaningfully more revenue than a millionaires-only bracket can produce, because it captures the full top 1% rather than only the very peak of the distribution. At the same time, it remains precisely targeted: roughly 5,700 filers out of more than 500,000 total would be affected. For a filer at \$650,000 in taxable income, the additional annual tax would be approximately \$300. For a filer at \$1 million, it would be roughly \$10,800. These are modest amounts relative to the incomes involved, but the cumulative revenue is substantial. A \$1 million threshold sounds clean, but it is a policy choice to exempt the majority of the top 1% from contributing to the correction this bill is designed to achieve.

Other states are already making this correction and it is working. Massachusetts's millionaire tax raised nearly \$3 billion in fiscal year 2025 for education and transportation, without evidence of significant wealthy outmigration. Colorado voters approved a surtax on wealthy households to fund universal school meals and strengthen SNAP. Rhode Island's top marginal income tax rate is 5.99%. H 7313 would bring it to 8.99% on income above \$640,000, **a rate that remains competitive regionally and nationally.** This is a modest, targeted adjustment that asks the least-burdened income group to contribute proportionally, generating revenue the state can direct toward housing, healthcare, workforce development, and the services that make Rhode Island livable for everyone.

I respectfully urge the committee to recommend H7313 for passage

With sincere appreciation for all you do for Rhode Islanders,

Kathleen Gerard,
Providence 02903