

**Written Testimony Submitted to
 the Rhode Island House Finance Committee
 Regarding H-7313
 May 7, 2026**

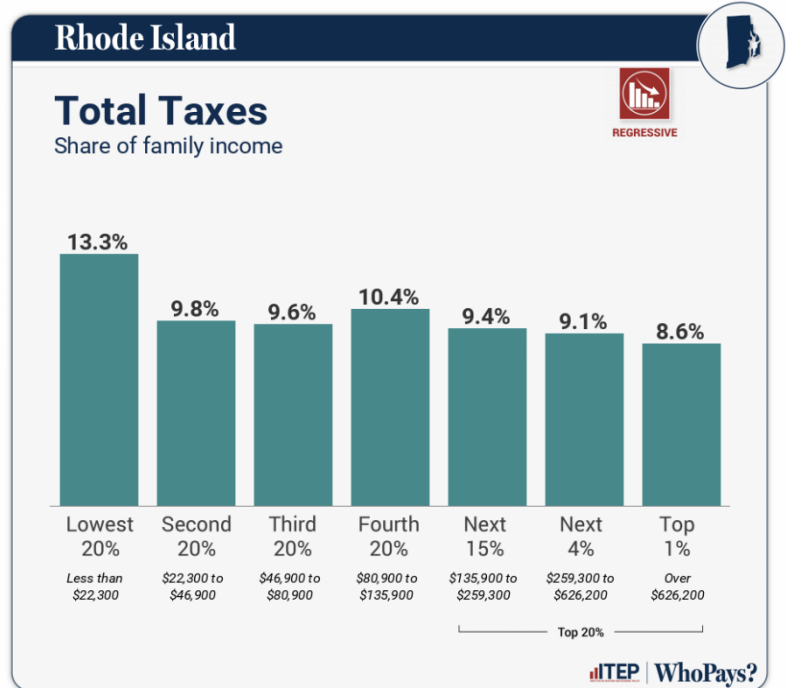
Thank you for the opportunity to provide testimony in support of H-7313, a bill to create a 3 percent surcharge on the top 1 percent of households, households with more than \$640,000 in taxable income. My name is Miles Trinidad. I am an analyst at the Institute on Taxation and Economic Policy (ITEP), a nonprofit research group based in Washington, D.C.

When people are asked to think of a fair tax system, most people would not point to one where the wealthiest are asked to pay a lower tax rate, as a share of their income, than low- and middle-income households. Yet, this is the case in Rhode Island.

According to ITEP’s *Who Pays?*¹ report, the top 1 percent of Rhode Island taxpayers pay 8.6 percent of their income in total state and local taxes—the lowest of any income group in the state. By comparison, the lowest 20 percent, with annual incomes of less than \$22,300, pay 13.3 percent.

Our analysis finds that H-7313 would raise taxes in a targeted way that only affects those households with the greatest ability to pay—a group that also happens to face the lowest effective tax rates today.

With the surcharge, the total taxes paid as a share of income for the top 1 percent of Rhode Island taxpayers would increase from 8.6 percent to 9.2 percent - the only income group that would see an increase under this proposal.² This important step would slightly reduce the regressivity of the state’s tax system. Put another way, it would ask the state’s highest-income families to pay a rate that comes closer to matching the one already paid by many working class and middle-class families.



Progressive Revenue During Federal Cutbacks and Fiscal Uncertainty

This proposal would raise an estimated \$200 million per year. It would help the state build a more robust and sustainable income tax to more effectively fund key priorities while building up revenue resilience as the state faces fiscal uncertainty driven by recent federal policies and continued economic uncertainty.

ITEP also applauds Gov. Dan McKee’s proposal to create a similar surcharge on high-income households with taxable income over \$1 million. The proposal could be made even stronger if it were expanded to a broader group of high-income people, those in the top 1 percent, as H-7313 would do. A surcharge on the top 1 percent would raise roughly \$68 million more per year than the proposed surcharge on millionaires.

Reclaiming Federal Tax Giveaways to the Richest 1%

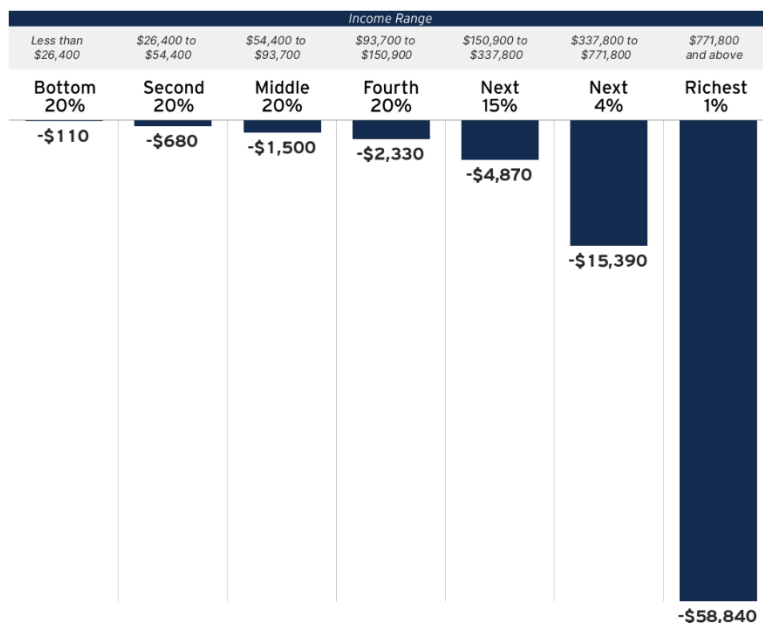
This bill also provides an opportunity to reclaim some of the massive federal tax cuts given to the richest 1 percent in the state under the recently enacted federal tax bill, H.R. 1. ITEP estimates indicate that the richest 1 percent of Rhode Islanders received an average annual federal tax cut of \$58,840 from those tax policy changes.³

ITEP’s estimates indicate that the modest 3 percent surcharge found in H-7313 would effectively reclaim some, but not all, of the federal tax cuts flowing to the top 1 percent of households as a result of H.R. 1. In other words, the state’s richest households would still receive a net tax cut when considering the combined impact of federal and state tax changes, while generating much-needed revenue and improving the state’s tax distribution.

Conclusion

Impact of Trump Megabill in Rhode Island

Average tax change by income group in 2026



Source: Institute on Taxation and Economic Policy Tax Microsimulation Model, July 2025

Enactment of H-7313 would represent an important improvement in the progressivity of Rhode Island’s tax system. This bill would ensure that the richest in the state are paying more to fund shared priorities that benefit all Rhode Islanders while positioning the state to better navigate the range of challenges being foisted upon the state by the federal government.

Wealth and income inequality in this country are at historic highs, and tax policy can be a critical tool to make our economy work better for all of us, not just the wealthy and well-connected.

Thank you for the opportunity to submit this testimony.

Miles Trinidad
State Analyst, Institute on Taxation and Economic Policy

¹ Institute on Taxation and Economic Policy. “Who Pays? A Distributional Analysis of the Tax Systems in All 50 States. Seventh Edition.” January 2024. Available at: <https://itep.org/whopays-7th-edition/>

² Krinsky, Alan. “Hundreds of Millions in Lost Revenue: The Cost of Rhode Island’s Personal Income Tax Changes.” The Economic Progress Institute. January 28, 2026. Available at: <https://economicprogressri.org/publications/hundreds-of-millions-in-lost-revenue-the-cost-of-rhode-islands-personal-income-tax-changes>

³ Steve Wamhoff, Carl Davis, Joe Hughes, and Jessica Vela. “Analysis of Tax Provisions in the Trump Megabill as Signed into Law: National and State Level Estimates.” Institute on Taxation and Economic Policy. July 7, 2025. Available at: <https://itep.org/tax-provisions-in-trump-megabill-national-and-state-level-estimates/#statedata>