



May 7, 2026

Honorable Marvin L. Abney
Chairman, House Committee on Finance
Rhode Island State House
Providence, RI 02903

RE: H7805 – SUPPORT

Dear Chairman Abney:

On behalf of the Rhode Island Business Leaders Alliance (the “Alliance”), I write in support of H7805 – An Act Relating to Taxation -- Personal Income Tax.

H7805 would establish a phased reduction in Rhode Island’s personal income tax rates over five taxable years beginning January 1, 2027. The bill would reduce the three personal income tax brackets from 3.75%, 4.75%, and 5.99% in 2026 to 3.38%, 4.28%, and 5.39% by January 1, 2031, while continuing annual inflation adjustments to the bracket thresholds. The bill also includes a fiscal oversight mechanism allowing delay of a scheduled rate reduction if total general revenues materially underperform enacted estimates, along with a required legislative review report by January 15, 2029.

The Alliance supports H7805 because it represents a measured and responsible effort to improve Rhode Island’s tax competitiveness. Rhode Island continues to compete with neighboring states for talent, entrepreneurs, investment, and business growth. Personal income tax policy is one of the factors that shapes where individuals choose to live, where business owners choose to invest, and where growing companies choose to expand. A phased reduction in rates sends a positive signal that Rhode Island is committed to becoming a more attractive place to work, invest, and do business.

This bill’s gradual structure is particularly important. Rather than making an immediate and inflexible change, H7805 phases the reductions in equal annual increments over five years. That approach gives policymakers the ability to monitor actual revenue performance and economic conditions over time. The bill’s pause authority is a meaningful safeguard: if revenues materially underperform enacted estimates, the director of revenue may recommend delaying the next scheduled reduction, with the governor then required to notify legislative leadership of the basis for that determination. Any delayed reduction is postponed rather than eliminated, unless the General Assembly provides otherwise.

From the business community’s perspective, that balance matters. H7805 advances a pro-growth tax policy while recognizing the need for fiscal discipline. It does not simply reduce rates; it pairs those reductions with oversight, reporting, and a mechanism for adjustment if conditions warrant. That makes the bill both economically constructive and administratively prudent.

The Alliance also notes that many Rhode Island businesses are organized as pass-through entities, meaning business income is often reported through the personal income tax system. As a result, reducing personal income tax rates can benefit not only individual taxpayers, but also many small business owners and entrepreneurs making decisions about hiring, reinvestment, expansion, and whether to undertake future projects in Rhode Island. This is an inference from the bill's operation within the personal income tax code and the common treatment of pass-through income under state tax systems.

At a time when Rhode Island should be focused on improving its business climate and encouraging economic activity, H7805 offers a practical way to move in that direction. By phasing in rate reductions, preserving inflation adjustments, and building in fiscal safeguards, the bill promotes competitiveness while allowing the State to proceed carefully and responsibly.

For these reasons, the Alliance respectfully urges the Committee to support H7805.

Sincerely,

Gregory Tumolo

Gregory Tumolo, Executive Director
Rhode Island Business Leaders Alliance

CC:
Members of the House Committee on Finance