



Testimony of Catherine Taylor, AARP Rhode Island
In support of House Bill 7057
House Finance Committee
May 12, 2026

Chairman Abney and members of the House Finance Committee:

AARP is a nonpartisan, social mission organization with 38 million members nationwide and nearly 125,000 members here in Rhode Island. We advocate on behalf of issues that impact older adults, and we appreciate the opportunity to offer our support for phasing out the state income tax on Social Security as House Bill 7057 from Deputy Whip Ackerman does.

Assuring that our members are financially secure in retirement is a key component of our advocacy. Rhode Island is one of only 8 states that still tax hard-earned Social Security benefits. State taxes on Social Security benefits in Rhode Island undermines the purpose of Social Security, which was designed to lift seniors out of poverty – not to fund state government.

More than one in five Rhode Island residents — 236,877 people — receive Social Security benefits. Annual Social Security benefits to Rhode Islanders pump at least \$5 billion into the state economy, with \$3.9 billion paid annually to those receiving retirement benefits and their eligible family members, \$449 million via survivors' benefits, and an additional \$644 million paid through the disability program.¹ Recipients buy goods and services with their Social Security benefits, increasing business sales, which help not only the companies making those sales but also the firms that supply them. The result is more jobs and income to businesses and workers in Rhode Island.

In Fall of 2023, AARP RI surveyed 700 Rhode Islanders aged 45 and over about Financial and Retirement issues. When asked, the majority (89%) of residents say they agree that "Rhode Island lawmakers should repeal the state tax on Social Security." This sentiment is consistent regardless of age, gender, or political party. In addition, a recent University of New Hampshire poll showed that: 79% strongly (66%) or somewhat (13%) support eliminating state taxes of Social Security benefits, 7% are neutral or have no opinion, only 9% strongly (2%) or somewhat (7%) oppose ending these taxes, and 5% are unsure. Nearly all Republicans (98%) and majorities of Independents (81%) and Democrats (68%) supporting ending these taxes.²

Out of the 29% of Rhode Island residents age 45+ who have considered living in another state for retirement, or are still unsure about it, nearly three in five say they are more likely to stay in Rhode Island if the Social Security income tax is eliminated. In addition, the majority of Rhode Island adults aged 45+ say it is extremely or very important to have adequate Social Security benefits available in the

¹ <https://public.tableau.com/app/profile/aarp.research/viz/SocialSecurityQuickFacts/QuickFacts>

² https://scholars.unh.edu/cgi/viewcontent.cgi?article=1931&context=survey_center_polls

future (91%). 88,263 (44%) Rhode Islanders 65 or older rely on Social Security as 50% of their family income. 41,845 Rhode Islanders 65 or older rely on Social Security as 90% of their family income.

The state of Rhode Island offers an exemption from taxes on Social Security if three requirements are met.

- 1) Some portion of a taxpayer's social security is subject to federal income tax.
- 2) A taxpayer must have reached full retirement age (67) in accordance with the Social Security Administration.
- 3) A taxpayer's federal AGI must be below the annual threshold, which is subject to inflation, for their filing status.

The 2025 annual thresholds were:

Single - \$107,000

Married Joint - \$133,750

The state tax on Social Security is a large burden on middle class Rhode Islanders. In Rhode Island's tax year 2023:

- 39,721 Rhode Islanders had their Social Security taxed in 2023.
 - 29% had an annual income of over \$200,000
 - 71% had an annual income of under \$200,000
 - 22% had an annual income of under \$100,000
 - 49% had an annual income between \$100,000 and \$200,000
- Estimated cost of eliminating state income tax on Social Security is \$47,103,170
 - 58% of the tax savings will go to families earning less than \$200,000 per year.
 - 50% of the tax savings will go to families making between \$100,000 and \$200,000 per year.
 - 8% of the tax savings will go to families making under \$100,000 per year.

It is important to remember that any Rhode Islander that takes their Social Security prior to the full retirement age of 67 is taxed, regardless of income levels. There are currently over 9,000 Rhode Islanders who have taken their Social Security early and are being taxed, regardless of their income.

There are a variety of reasons for people taking Social Security prior to the full retirement age of 67. In 2021, Philip Armour and David Knapp of the RAND Corporation published a study titled, "The Consequences of Claiming Social Security Benefits at Age 62."³ The findings of this study showed that for both men and women, individuals who claim Social Security benefits at 62, as compared with those who claim later:

³ <https://www.aarp.org/pri/topics/work-finances-retirement/social-security/-the-consequences-of-claiming-social-security-benefits-at-age-62/>

- Have less education, on average;
- Are more likely to live in rural areas;
- Are more likely to already have a work-limiting health condition;
- Have a lower reported likelihood of living to age 75;
- Are less likely to have a job before turning age 62;
- If employed before turning age 62, earn less, on average; and
- If employed before turning age 62, are more likely to have a physically demanding job.

In a companion study titled, “The Changing Picture of Who Claims Social Security Early”⁴, Armour and Knapp found that

- Age-62 claimants stop working earlier and cash out defined contribution plans sooner.
- Age-62 claimants have lower household income throughout their 60s and 70s (on average, \$10,000–\$20,000 less in annual household income).
- Age-62 claimants in their 70s have substantially less liquid wealth than do later claimants at similar ages (on average, 27 percent lower at age 74 and 43 percent lower at age 80).
- Measures of financial hardship and mortality rates are not statistically or substantively different between the two claiming groups into their 70s.

According to a study conducted by SmartAsset, the income range for the Rhode Island middle class was between \$56,642 and \$169,944.⁵ The state income tax on Social Security is a heavy burden on the middle-class retiree and those who need to take their money prior to the age of 67.

Older adults are not immune from the rising cost of living in our state. In fact, the economic pressures that older adults are facing are much different than retirees of the past.

- **Mortgage Debt:**

- Between 1989 and 2022, the share of homeowners aged 65 to 79 with a mortgage increased from 24 to 41 percent and the median mortgage debt shot up over 400 percent, from \$21,000 in 1989 to \$110,000.
- Over 30 percent of homeowners age 80 and over are also carrying mortgages, up from just three percent in 1989.⁶

- **Homeowners Insurance**

- Average cost nationally for homeowners’ insurance:
 - 2005: \$764⁷
 - 2026: \$2,490⁸

⁴ <https://www.aarp.org/pri/topics/work-finances-retirement/social-security/the-changing-picture-of-who-claims-social-security-early/>

⁵ <https://smartasset.com/data-studies/middle-class-2025>

⁶ <https://www.retirementlivingsourcebook.com/proagingnews/housing-america%E2%80%99s-older-adults-2023-report-from-harvard-joint-center-for-housing-studies>

⁷ <https://www.insurancejournal.com/news/national/2005/03/01/52034.htm>

⁸ https://www.bankrate.com/insurance/homeowners-insurance/homeowners-insurance-cost/?utm_source=chatgpt.com#cost-by-state

- **Supporting Family**

- 74% of undergraduate families used parent income and savings to help pay for college, contributing an average of \$15,754 in the 2024-25 academic year⁹

- **Cost of Living**

Measure	2005	2025-2026
Avg. Household groceries (monthly)	\$260	\$460
Avg. Household groceries (annually)	\$3,100	\$5,500

- **Cost of prescription drugs**

- These numbers are brought by taking the total U.S. prescription drug spending in each year (this includes all payers: Private insurance, Medicare, Medicaid, and out-of-pocket) then divides that number by the population of the United States during the year. All these dollar values are nominal (not inflation-adjusted)

Year	Avg. Drug Spending per person
2005	\$850-\$900
2025	\$1,450-\$1,550

With so many Americans struggling to afford health care and other basic needs, the promise of Social Security is more important than ever. A 2024 House Fiscal note cited a projected revenue loss of \$41,932,632 upon full elimination of the state income tax on Social Security. The truth is that the state of Rhode Island has been relying on over \$40 million dollars of older Rhode Islander’s hard-earned money to line its coffers each year. That must stop.

AARP Rhode Island will never stop fighting to protect Social Security and make sure hard-working Rhode Islanders get the benefits they have earned. Thank you for allowing me to testify in support of this important piece of legislation. AARP Rhode Island asks that you recommend passage on House Bill 7057.

Sincerely,



Catherine Taylor

State Director, AARP Rhode Island

⁹ https://www.nasfaa.org/news-item/37175/Study_2024-25_Undergraduate_Families_Are_Reporting_Spending_More_on_College