



Testimony from John Simmons, President of the Rhode Island Business Coalition
Presented to the House Committee on Small Business

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Thank you, Chairwoman McEntee and members of the House Committee on Small Business for the opportunity to present testimony on the challenges facing the small business community and the impact legislation has on the business environment in Rhode Island. My name is John Simmons, and I am President of the Rhode Island Business Coalition.

Established in 2013, the Rhode Island Business Coalition consists of a diverse group of 20 business organizations and industry associations, representing more than 6,000 businesses that employ 230,000 people within 50 industries in Rhode Island. Our mission is to identify and advance state public policies that improve Rhode Island's economic competitiveness and overall business climate.

I will approach the subject matter today from a macro perspective and then engage in a more detailed discussion of the impact legislation has on the business climate in our state, particularly on small businesses. While I will discuss some of the challenges facing the state's business community, I will also provide initiatives the Coalition is advocating for improving the business climate in Rhode Island.

To provide a basic understanding of Rhode Island's cost of doing business and tax position I would like to review various measures of the business climate in the state by national firms that provide fifty state comparisons.

For the committee's reference, I have included a paper with various studies comparing states for tax competitiveness, regulatory burdens and other matters used to measure a state's business environment. These are important as they discuss what other organizations think about our state and are used by companies to determine relative competitiveness of our state. Such fifty state comparisons are not the only analysis that is done by business, but it is a way of measuring our state.

The overall business climate is used to describe the relative ease at which a business can form, thrive, or expand in a city, state, or other geographic location. Measures of business climate include items such as the cost of doing business, regulatory environment, infrastructure, and access to markets, labor, and capital—conditions that business leaders routinely assess, and which ultimately

affect economic growth.¹ The relative weight placed on various components of a business climate may vary significantly depending on the individual business or industry. However, some areas of the United States have clear advantages for economic activity over others, and it is possible to measure on a broader scale an area's business climate.

Rhode Island's Lagging Business Climate

Based on rankings by several organizations and publications, which have developed indexes that compare the relative business climate of the fifty U.S. states, Rhode Island currently does not have a high-performing business climate. Collectively, these indexes show that Rhode Island ranks among the bottom—and in one instance, at the very bottom—of states.

WalletHub's 2025 Best and Worst States to Start a Business [ranked](#) Rhode Island last in the nation. CNBC's America's Top States for Business for 2024 [ranked](#) the state 44th (7th lowest). These reports cite Rhode Island's poor business environment, the high cost of doing business, lack of business friendliness, and slow economic growth as reasons for the Ocean State's dismal rankings.

Rhode Island businesses are burdened by high taxes. The state currently [ranks](#) 39th (12th lowest) among states overall on the Tax Foundation's 2025 State Tax Competitiveness Index. According to the Tax Foundation rankings, the Ocean State ranks in the bottom third of states for its corporate income taxes (35th) and property taxes (37th) and ranks third worst in the country for unemployment insurance taxes (48th).

While the state's tax competitiveness is relatively poor compared to other U.S. states, Rhode Island currently enjoys a competitive tax advantage over its closest neighbors, [Connecticut](#) and [Massachusetts](#) (the Tax Foundation ranks these states 47th and 41st respectively).

Rhode Island's advantage is primarily due to the relative levels of income taxation in the three states. While Rhode Island's income tax ranks in the bottom half of states, it ranks more favorably than both Connecticut (47th) and Massachusetts (41st). Rhode Island's competitive advantage on taxes is significant given that states are typically in closest competition with

Figure 2
State Tax Competitiveness Index Ranking, 2025

	CT	ME	MA	NH	RI	VT
Overall	47	29	41	6	39	43
Corporate Income Taxes	31	40	33	32	35	36
Individual Income Taxes	47	22	41	12	30	43
Sales Taxes	21	8	20	1	26	29
Property and Wealth Taxes	50	48	46	39	37	49
Unemployment Insurance Taxes	40	19	47	27	48	8

¹ See the literature review in, Andrey Yushkov, Jared Walczak, and Katherine Loughead, [2025 State Tax Competitiveness Index](#), Tax Foundation, October 2024.

neighboring jurisdictions. Moreover, due to its small size, Rhode Island faces acute competition between Connecticut and Massachusetts.

Job creation in Rhode Island is also stifled by burdensome regulations, with one national think tank calling the Ocean State “anti-employment”. Rhode Island [ranks](#) in the bottom ten states in terms of regulatory freedom by the Cato Institute, with the state’s ranking driven down by its overregulated labor market, which is ranked 48th in the country (2nd worst). Cato cites the state’s high minimum wage, lack of a right-to-work law, and stricter-than-federal anti-discrimination laws as examples of regulations that make it more difficult to do business in Rhode Island.

These analyses give us areas to consider as we look to improve the ability for businesses to grow and thrive in Rhode Island. This macro view needs to also include specific issues of cost and regulatory hurdles in more detail.

Let us look at several broad areas of competitiveness. Taxes and the structure of taxes are an important area for businesses when selecting a state to relocate or to maintain a working presence.

From 2003 to 2024, the Tax Foundation, a think tank based in Washington D.C., annually issued its Business Tax Climate Index, comparing all 50 states and analyzing each state’s business tax climate. This analysis measures not just the burden of taxes but the impact the tax has on businesses.

The overall competitiveness of a state has to be viewed in its totality as well as in the individual tax components. Each adds to the cost of doing business in the state in different ways. For instance, Rhode Island has a high number of Limited Liability Company’s (LLC’s) which are pass-through entities for tax purposes. The LLC pays a corporate minimum tax of \$400 and then the individual pays income tax on the pass-through income. Other taxes are paid by the individual including Social Security and other wage based taxes.

State imposed taxes are not a small cost item for businesses. There are other taxes and costs which impact businesses and which are paid by the employer, that are significant and are considered higher in Rhode Island than elsewhere. Other such costs and related taxes include unemployment insurance, utility costs, workers’ compensation, gasoline and diesel fuel, healthcare costs and property taxes. These costs all factor into the competitiveness of a state and impact the cost of doing business. These costs are increasing annually and have a real effect upon the profitability of a business.

Members of the Coalition routinely hear from their members about the need to reduce the burden on businesses including what are often annual changes to the employer/employee relationship that are particularly burdensome for our state’s smaller employers.

Let us look at specific examples of costs and how legislation over time has impacted the rankings and the actual cost of doing business in Rhode Island.

Unemployment Insurance

Rhode Island's unemployment insurance (UI) tax system ranks poorly on the Tax Foundation's Index for several reasons, but first among them are the relatively generous benefits provided by the Ocean State at the expense of the employer community.²

As of 2022, Rhode Island's maximum benefit levels ranked 3rd highest in New England and 4th highest nationally. For most employers the UI taxable wage base will be \$29,800 in 2025, an increase of \$600 or 2.1 percent from the 2024 taxable wage base of \$29,200. For employers at the highest tax rate the UI taxable wage base is set \$1,500 higher and will be \$31,300 in 2025, an increase of 5 percent.

While the General Assembly has appropriated additional funds to assist in reducing the cost burden, the cost for unemployment insurance has continued to increase.

Workers' Compensation

Workers' compensation is another area where the state has a high premium ranking. In 2022, Rhode Island had the 11th highest workers' compensation premium ranking by state. In addition, the premium assessment rate was just changed to 6.5%. This is also one of the highest rankings in the nation. The assessment will be changed if pending legislation increasing the indirect state charge is increased from 10% to 15%. It is important to note that Rhode Island employers, through this assessment, fund the Rhode Island workers' compensation system in its entirety. No tax dollars are involved. This includes costs for the Department of Business Regulation (DBR) to regulate the insurers, the court system to adjudicate "comp" claims as well as funding to the Department of Labor and Training (DLT) for training, handling complaints and other costs.

Labor and the business community have sought to exempt the workers' compensation fund from the indirect fund charges similar to several other restricted receipt accounts. Within the cost of workers' compensation system, the employer community pays for the insurance premium tax, all state administrative costs, and funds that go into the general fund before it pays the actual cost of benefits including healthcare.

Health Insurance

According to the Office of Health Insurance Commissioner (OHIC), "From 2001 to 2022, the average employer-sponsored family premium in Rhode Island increased from \$8,023 to \$22,955." This represents on average an 8.9% annual increase. "Economics literature suggests that the growth of employer-sponsored health insurance premiums crowds out employee wage growth, in addition to shifting costs directly onto employees and their families. This means that health care spending growth forces tradeoffs for working Rhode Islanders and their families because they rely on their wages to pay for housing, food, utilities, childcare, transportation, and to build their personal wealth."

² Rhode Island's score in the UI tax category is also negatively affected by its application of a surtax for the purposes of funding job development programs, its benefit charging method, and its method for determining experience rating. Andrey Yushkov, Jared Walczak, and Katherine Loughhead, [2025 State Tax Competitiveness Index](#), Tax Foundation, October 2024.

For 2025 the OHIC approved the following increases in premiums for health insurance:

- 7.8% for the individual market
- 12.4% for the small group market
- 11.2% for the large group market

Over 170,000 Rhode Islanders will be impacted by these rate changes.

According to the most recent data from the National Association of Insurance Commissioners (NAIC), state taxes, fees, and assessments on Rhode Island's commercial health insurance premiums are the fourth highest among all states. Only Colorado, New Mexico and New York pay more. It should be noted that the cost of the Rhode Island Vaccine Assessment Program is included in the NAIC data." (Rhode Island Vaccine Assessment Program is also included in the indirect reimbursement fund)

Each year the legislature considers and acts upon mandated health insurance benefits that must be included in any fully-insured health insurance plan in the state. The state has one of the largest lists of mandated benefits in the nation. Each one of these mandated benefits as well as limitations on prior approvals or deductibles have cost implications that should be studied prior to their being enacted. The Coalition has advocated for a mandated health benefits review process that would require a cost-benefit analysis of any proposed health insurance benefit mandate prior to the legislature taking action.

Gasoline and Diesel Fuel

Prices for gasoline and diesel vary by state as do the tax and additional charges generated by each state. As of January 2025, the state taxes levied on gasoline purchases in Rhode Island is the highest rate in New England at 37 cents per gallon and the 14th highest in the nation. This tax will increase to 38 cents per gallon in July. The diesel tax in Rhode Island is the second highest after Connecticut in New England and 15th highest nationally.

Utilities

According to the US Energy Information Administration as of December. 2024 Rhode Island had the highest commercial rate for natural gas in New England at \$19.61 per thousand cubic feet. Overall Rhode Island had the second highest rate in the nation.

<https://www.energybot.com/electricity-rates/>

On a kWh basis Rhode Island had the largest increase in commercial electric pricing between 2023 and 2024 when the rate went from 19.27 to 22.97 and was the second highest rate in the nation behind Hawaii.

The makeup of the current billing according to Channel 12 WPRI includes:

"The delivery side of the electric bill is a mix of company earnings, taxes, distribution and transmission costs, along with clean-energy programs that are mandated by the state."

The state-mandated costs typically make up 28% of delivery costs and roughly 14% of the total bill, according to a Target 12 analysis of sample bills and actual bills. "

I have tried to present a small snapshot of the variation of cost factors that affect businesses in Rhode Island. Most of these illustrations are within the state's control and influence. Individually, and collectively, they are a barrier to starting a business or staying viable.

I have not discussed all of the areas to which businesses are at risk. The usual categories which impact businesses such as labor force, capital, cash flow, distribution of products.

I would like to spend a few minutes on the current legislative actions that come before you for review and analysis. I will discuss a set of Business Coalition principles that have been generated from the statewide comparison and competitiveness.

Business Coalition Legislative Priorities

To improve the business climate, Rhode Island must lower the cost of doing business, improve its regulatory environment, and help to increase access to markets, labor, and capital.

Easing the Tax Burden on Businesses

Rhode Island's high tax burden must be addressed to create a business-friendly environment that attracts investment, increases wages, and encourages innovation.

The Business Coalition supports policies that would improve the state's overall tax climate while maintaining and enhancing its advantages with respect to its neighboring states. Increasing taxes on businesses through higher corporate taxes or through the income tax for pass-through entities will make Rhode Island less affordable and less competitive.

In addition, increasing taxes that are passed on to businesses will make it less attractive and affordable to do business in the state. For instance, the proposed digital tax will increase the cost of doing business in Rhode Island.

Regulatory Reform and Employer Requirements

The state should pursue regulatory reforms that simplify or reduce the number of rules and legal requirements imposed on businesses. The state should focus its regulatory efforts on areas of the highest potential risk to public safety or the environment and ensure that the benefits of regulation exceed the cost of compliance.

Regulatory reforms will make it easier and less costly for businesses to operate, encourage business creation and expansion, and lead to increased investment and job creation. Using a simple standard of following federal requirements instead of being the only one of a small number of states that have a certain requirement would make us more competitive and not an outlier.

Education and Workforce

The state must effectively adopt innovative, evidence-based instruction based on high-quality curricula to ensure K-12 students are prepared to participate in tomorrow's economy. The Business Coalition believes that a strong educational system focused on English language arts, math, science, and technology will help attract businesses and drive economic growth.

Further growth of Career and Tech programs is essential to ensure we have trained workers for the jobs of the future.

Based upon these principles we have provided a list of positions regarding legislation that is before the General Assembly.

We need to work together to create a vibrant climate for business growth that provides jobs and opportunities for Rhode Islanders and allows our business community to thrive.

Thank you for the opportunity to speak this afternoon and I will be pleased to take any questions.