



RIPEC

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Senator Louis P. DiPalma
Chair, Senate Committee on Finance
Senate Lounge
Rhode Island State House
Providence, RI 02903

April 30, 2026

RE: House Bill 7127—FY 2027 Appropriations Act—Article 5, Section 6 and Senate Bill 2238

Dear Chairperson DiPalma,

I am writing on behalf of the Rhode Island Public Expenditure Council (RIPEC) in strong opposition to House Bill 7127—FY 2027 Appropriations Act—Article 5, Section 6 and Senate Bill 2238. House Bill 7127 Article 5, Section 6 would add a fourth tax bracket to impose a tax rate of 8.99 percent on taxable income over \$1.0 million, thereby raising the tax rate on such income by 50 percent over the current top rate of 5.99 percent. Senate Bill 2238 would similarly add a fourth tax bracket and a tax rate of 8.99 percent but beginning at income above around \$640,000.

These proposals—which carry significant and long-term risk to the economic opportunities of all Rhode Islanders—are being pursued despite steady growth in state revenues. State general revenue growth for FY 2027 was last projected at 3.0 percent, and personal income tax revenues were projected to grow by 3.6 percent.¹ This stable growth comes on the heels of robust increases over the past several years that should have greatly improved the state’s fiscal position. Since FY 2019, total general revenues have grown at an average annual rate of 6.3 percent and personal income tax revenues increased at an average annual rate of 6.7 percent—both markedly outpacing inflation (4.2 percent average annual increase).² And despite these large increases, just last year the General Assembly enacted over \$100 million in new and increased taxes and fees.³

¹ R.I. OMB, [November 2025 Revenue Estimating Conference Report](#).

² R.I. OMB, [May 2020 Revenue Estimating Conference Report](#); [November 2025 Revenue Estimating Conference Report](#); U.S. BLS, [CPI-U Data](#); RIPEC calculations. FY 2026 reflects estimates from the November Revenue Estimating Conference and does not factor in any of the governor's proposed changes. The inflation rate for FY 2019 -FY 2025 reflects US BLS CPI-U data. For FY 2026, inflation estimates from the November 2025 Revenue Estimating Conference were applied.

³ See page 19, RIPEC, [Rhode Island’s FY 2026 Enacted Budget](#), August 2025.

It is clear Rhode Island does not have a revenue problem; it has a spending problem. If approved, an income tax increase may help balance the FY 2027 budget, but it does not address the underlying issue. Unless these unsustainable spending increases are addressed, we can expect that next year taxpayers will again face higher taxes or fees.

The taxpayers targeted this year for a tax hike include not only individuals, but Rhode Island businesses, most of which are pass-through entities reporting their income through personal income tax. In 2023, for filers with adjusted gross income of \$200,000 or more, 14 percent of income tax liability came from business income, and while state data are not available for higher income levels, federal data suggest this share rises to roughly 25 percent for those earning over \$1.0 million.⁴ Higher personal income taxes therefore would directly affect Ocean State businesses and jobs—limiting opportunities for businesses to invest in their own growth and expansion.

Rhode Island taxpayers are already subject to a highly progressive income tax system that relies heavily on revenues from higher-income households and businesses. In 2023, households earning \$200,000 or more generated 55 percent of income tax revenue, and while Rhode Island-specific data are unavailable for those earning \$1.0 million or more, federal estimates indicate that this small group—just 0.3 percent of filers—account for about a quarter of total income tax liability.⁵

Layering a higher top rate onto this already progressive structure would place Rhode Island even further outside the overwhelming national trend, which has been to reduce income taxes. Between tax years 2020 and 2026, 21 states reduced their top income tax rate and only four increased it. In addition, eight states enacted legislation to transition to a flat income tax structure while only Massachusetts moved away from a flat tax. Consequently, the number of states with top rates between 5.0 percent and 7.0 percent has fallen nearly by half (from 21 to 12) and the number of states with top rates below 5.0 percent nearly doubled (from 10 to 19).⁶ In result, Rhode Island's top income tax rate moved from the 20th to the 15th highest nationally between tax years 2020 and 2026, despite no change in the rate.⁷

Massachusetts is among a small group of outlier states that have made themselves less competitive by increasing their top rate during this period. The Bay State's 9.0 percent rate on income above around \$1.1 million is higher than the \$1.0 million threshold in House Bill 7127 and much higher than the \$640,000 threshold in Senate Bill 2238.⁸

⁴ R.I. Dept. of Revenue, [Resident Income Tax Return Summary Tax Year 2023](#), Data as of January 23, 2026; U.S. IRS, Statistics of Income Tax, [Historic Table 2, state data tax year 2022](#); RIPEC calculations.

⁵ Ibid.

⁶ Jared Walczak and Katherine Loughead, "[The State Flat Tax Revolution: Where Things Stand Today](#)," October 8, 2025; Manish Bhatt, "[State Tax Trends to Watch in 2026](#)," Tax Foundation, February 11, 2026; Janelle Fritts and Katherine Loughead, "[State Individual Income Tax Rates and Brackets, 2026](#)," Tax Foundation, February 17, 2026.

⁷ This includes Washington, which taxes capital gains income only. Janelle Fritts and Katherine Loughead, "[State Individual Income Tax Rates and Brackets, 2026](#)," Tax Foundation, February 17, 2026.

⁸ Massachusetts Dept. of Revenue, "[Massachusetts 4% Surtax on Taxable Income](#)," updated Dec. 29, 2025.

There is limited data to gauge the full impact of Massachusetts' tax increase, but the Bay State is losing economic activity as residents have moved to other states. Between 2020 and 2025, Massachusetts experienced the seventh-highest rate of domestic outmigration in the U.S. (adjusted for population size), and between 2020 and 2023, its net loss of adjusted gross income (AGI) ranked among the top five states (adjusted for personal income levels). This outmigration amounted to roughly 68,000 filers and \$12.4 billion in associated AGI between 2020 and 2023, with the largest flows going—by a wide margin—to New Hampshire and Florida, both of which do not levy a state income tax. While the number of taxpayers leaving Massachusetts declined somewhat in 2023, the first year the millionaire's tax took effect, the total amount of associated AGI increased, and outmigration shifted toward higher-income taxpayers.⁹

Massachusetts' loss has also been Rhode Island's gain. Between 2020 and 2023, Massachusetts was the largest source of new Rhode Island residents, and Rhode Island has experienced net positive migration from Massachusetts since 2016. Since 2020, these annual gains have exceeded 1,500 taxpayers and \$175 million in associated AGI.¹⁰

There is substantial evidence that, if a similar proposal were enacted in Rhode Island, the state would likely experience net outmigration of higher earners and businesses, resulting in reduced investment activity, tax revenues, and philanthropic contributions. Data from the IRS show Americans generally moved from high income tax states to lower income tax states in recent years, and numerous studies have found that relatively high state personal income taxes have negatively affected economic growth. Research also suggests that high-income workers and workers in occupations that are more geographically mobile are more responsive to taxes in their location decisions.¹¹

⁹ U.S. Census Bureau, [Current Population Survey](#), 2025; U.S. IRS, [SOI tax states –Migration Data](#); RIPEC calculations. In addition, although Massachusetts saw a short-term revenue boost from its millionaire's tax, Governor Healey faced a roughly \$3.4 billion budget gap while formulating her proposed FY 2027 budget. That gap was partially filled with millionaire's tax revenues, which had been presented to voters as supplemental funding for education and transportation. Some of these funds were already used in FY 2026 to support ongoing expenditures. Chris Lisinski, "[From T support to school aid, surtax emerges as crutch for state budgeting](#)," *Commonwealth Beacon*, February 5, 2026; Massachusetts Taxpayers Foundation, [Governor Healey's Fiscal Year 2027 Budget](#), January 28, 2026.

¹⁰ U.S. IRS, [SOI tax states –Migration Data](#); RIPEC calculations.

¹¹ Tax Foundation, "[Americans Moved to Low-Tax States in 2024](#)," January 7, 2025; "[Taxes and Interstate Migration: 2024 Update](#)," Tax Foundation, September 3, 2024; Henrik Kleven, et. al., "[Taxation and Migration: Evidence and Policy Implications](#)," *Journal of Economic Perspectives* 2020 vol. 34(2): 119-42; Chris Edwards, "[Tax Reform and Interstate Migration](#)," Cato Institute Tax and Budget Bulletin, September 6, 2018. Higher earners are often business owners who may move their businesses with them when they migrate from one state to another, resulting in the loss in income taxes paid on business profits, as well as income taxes that may be paid by the individuals those businesses employ. Many wealthy business owners are moreover venture investors, often deploying their wealth in the region in which they live. Those with higher incomes also pay a disproportionate share of other state taxes. See: Chris Edwards, "[Tax Reform and Interstate Migration](#)," Cato Institute Tax and Budget Bulletin, September 6, 2018; Mark Zandi, "[U.S. Economic Outlook: Wealth Effects](#)," Moody's Analytics, March 25, 2024; Nicolas Duquette, "The Evolving Distribution of Giving in the United States," *Nonprofit and Voluntary Sector Quarterly* 2021, vol. 50(5) 1102-1116. Mark Rider, "The Effect of Personal Income Tax Rates on Individual and Business Decisions—A Review of the Evidence," International Studies Program, Working Paper 06-15, 2006; William Gentry and R. Glenn Hubbard, "[Success Taxes, Entrepreneurial Entry, and Innovation](#)," National Bureau of Economic Research 2005, vol. 5.

Rhode Island is particularly exposed to these risks. The Ocean State is already a net loser in domestic migration—ranking tenth highest nationally between 2020 and 2025 on a per capita basis—and remains reliant on both higher-income taxpayers and in-migration from Massachusetts. Despite overall domestic population losses, Rhode Island experienced a net increase in AGI of approximately \$100 million between 2020 and 2023, because while the state saw net losses of both tax returns and AGI among taxpayers earning below \$200,000, those losses were more than offset by net gains among higher-income taxpayers.¹²

While a millionaire’s tax may sound appealing, a dramatic increase in tax rates for higher income taxpayers threatens to undermine Rhode Island’s already weak competitive standing.¹³ Any potential revenue gains would likely be eroded over time by the increased out-migration of high earners. Even more significant than the loss of income tax revenues is the likely loss of business activity, investments, and other tax revenues—a negative outcome for all Rhode Islanders.

I strongly urge that the Finance Committee reject HB 7127 and Senate Bill 2238.

Sincerely,



Michael DiBiase
President & CEO
Rhode Island Public Expenditure Council

RIPEC is a nonpartisan and nonprofit public policy research organization dedicated to providing objective research and analysis that addresses the critical challenges surrounding public finance and economic opportunity in Rhode Island.

Xavier Giroud and Joshua Rauh, “State Taxation and the Reallocation of Business Activity: Evidence from Establishment-Level Data,” *Journal of Political Economy* 2019 Vol. 127(3): 1262-1316; Anthony Davies and John Pulito, “[Tax Rates and Migration](#),” Mercatus Center, George

¹² U.S. IRS, [SOI tax states –Migration Data](#); RIPEC calculations.

¹³ Rhode Island’s economy was found to be losing ground over the past decade, with growth rates considerably lagging the U.S. with respect to every economic indicator, according to a recent report published by RIPEC. RIPEC, [Rhode Island’s 2026 Economic Prosperity Scorecard](#), April 2026.