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Testimony of  
Christopher Carlozzi, NFIB State Director  
In Opposition to Senate Bill No. 2238  
An Act Relating to Taxation – Personal Income Tax  
Before the Senate Committee on Finance  
April 30, 2026

Chairman DiPalma and Members of the Senate Committee on Finance:

My name is Christopher Carlozzi. I am the Rhode Island State Director for NFIB. A non-profit, non-partisan organization, NFIB is the nation's and our state's largest small business advocacy group. In Rhode Island, NFIB represents hundreds of small and independent business owners involved in all types of industry, including manufacturing, retail, wholesale, service, and agriculture. The average NFIB member has five employees and annual gross revenues of about \$450,000. NFIB represents the small Main Street business owners from throughout Rhode Island. On behalf of those small and independent business employers I ask that you oppose Senate Bill No. 2238, relative to a 3% income tax surcharge on personal income over \$640,000.

The newly proposed surtax will not just serve as an income tax increase on high income earners but will also negatively impact many Rhode Island small businesses. According to census data, 82% of Rhode Island small businesses are organized as sole proprietorships, partnerships, or Subchapter S corporations. As such, these small business owners file their income taxes as individuals or what is known as pass-through entities.

This legislation could have a devastating economic impact on job growth and economic expansion. Under this proposal, a pass-through business with earnings over \$640,000 will be taxed at an 8.99% rate. These profits are not exclusively an employer's salary, rather money used to reinvest in the business through job creation, purchasing new equipment, expanding their facility, and other capital improvements. Taxing small business profits at a higher tax rate will mean less investment in the business, and stifle job creation.

For those small businesses that may sell assets or land worth over \$640,000, they too will be taxed at a higher rate. For many pass-through businesses, the sale of the business serves as a retirement nest egg for the owner. Under this proposal, business owners that sell their business to retire will be unfairly taxed at a higher rate.

Neighboring Massachusetts is still experiencing the after effects of a 4% surtax on income of over \$1 million. The Massachusetts Society of CPA's released their 2025 Public Policy and State Competitiveness Report noting that 70% of CPAs had clients who altered their legal address for tax

purposes in 2024. In the survey 65% of respondents cited tax policy as one of the reasons they were leaving Massachusetts for a more favorable tax environment. It is not just older individuals leaving Massachusetts, fifty-five percent of those relocating were between the ages of 30 and 60 and in the prime of their career. Those leaving also take their skills, tax dollars, and investment with them to lower tax states like Florida, Texas, New Hampshire, and South Carolina.

On behalf of the small business community in Rhode Island, I urge you to oppose Senate Bill No. 2238. Thank you.