



Testimony Re: Senate Bill 2238 An Act
Relating To Taxation- Revenue for Rhode
Island

Senate Finance Committee
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Development, & Health



Rhode Island KIDS COUNT coordinates the Right from the Start Campaign, a state policy coalition led by eight organizations to advance state policies and budget priorities that help babies and young children get off to the right start.

Rhode Island KIDS COUNT and the Right from the Start Campaign would like to voice their strong support for Senator Murray's Revenue for Rhode Island Bill, S-2238.

This bill would raise the state income tax on the top 1% of earners in Rhode Island, those households with income at or above \$625,000/year. This legislation would make our tax system more equitable, by making sure our highest earners are paying their fair share and would raise \$203M in additional state revenue per year and affect only 6,100 tax filers in a state of approximately 500,000 filers.

Rhode Island desperately needs additional state revenue to help families access reliable, affordable, and high-quality early care and education programs.

- Rhode Island currently spends \$46 million less in state general revenue on child care than in 2005 and we are currently serving less than half as many children than we did in 2003.
- **We know that 9 out of 10 families cannot afford the cost of child care.** Using the federal affordability standard, families need to earn at least [\\$241,000/year](#) to pay the average cost of care for one infant enrolled in an average center that pays staff close to minimum wage.
- There continues to be a statewide staffing crisis because programs cannot pay a livable wage for staff. With an average wage of \$16.74/hour, **Rhode Island child care educators earn substantially less than educators in Massachusetts (\$19.88), Vermont (\$18.93), and New York (\$18.37).** When child care programs are understaffed, classrooms close temporarily or permanently, and often the health and safety of children is threatened.
- Even after the increase to 261% of the federal poverty level in January 2025, **Rhode Island has the second lowest family income cut off for Child Care Assistance in the Northeast.**

STATE	2026 FAMILY INCOME ELIGIBILITY LIMIT (Family of 3)
Vermont	\$157,000
Maine	\$118,922
Connecticut	\$109,306
New Hampshire	\$104,660
New York	\$95,397
Rhode Island	\$71,395

- The state's **Pre-K program is ranked among the best in the U.S. for quality, but national experts report that it is significantly underfunded** and needs at least \$13.9 million more per year to adequately fund the existing program.

Federal cuts to SNAP and health insurance benefits in 2025 with the passage of H.R.1 gave tax breaks to the wealthiest Americans. Now, new state funding is necessary to mitigate the harms of these cuts on families.

The Governor's proposed FY 2027 budget includes important strategies to use this newly generated revenue to reduce this harm, including:

- **Address federal threats to SNAP and Medicaid** by allocating \$9.3 million to finance the State's increased administrative cost share for SNAP required by H.R.1 and \$19.3 million for technology upgrades, additional personnel, and other resources to help Rhode Islanders retain their benefits and to lower the State's SNAP payment error rate.
- Increase support for the **Rhode Island Community Food Bank** by \$1.0 million to address the increased need for food assistance due to changes in SNAP reporting requirements in H.R.1.
- Create a new refundable state **Child Tax Credit** of \$325 per dependent child under age 19, replacing the existing dependent child exemption. This proposal will address child poverty by putting \$15 million back into the pockets of low-income families with children in FY 2027 and over \$30 million in FY 2028 and beyond.

Thank you for this opportunity to testify. We urge passage of this important legislation so that the state can help more families access child care and early learning programs.

Generate State Revenue for Child Care, Food, and Healthcare

Governor's FY27 Budget, Article 5-Section 6

H-7313/Alzate and S-2238/Murray

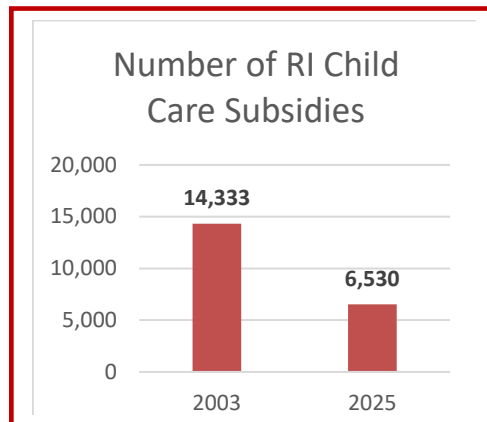
Tax Cuts for Ultra-High-Earners Reduce Resources for Children

In the mid-2000s, **Rhode Island cut about \$47 million in state funding, removing thousands of families from the RI Child Care Assistance Program**, and repealing a state law requiring child care rates be increased every two years to meet the federal equal access standard. **During this period, the state cut taxes on high earners** to attract businesses to the state and boost the economy.



Twenty years later, Rhode Island **helps less than half the families it used to help pay for child care**, has one of the lowest family income cutoffs for child care assistance in the northeast, and pays provider rates below the federal equal access standard. **Rhode Island child care educators earn \$16.74/hour on average, among the lowest wages in the state**, and lower than wages in many nearby states.

State	2026 Child Care Assistance Income Limit (Family of 3)
VT	\$157,000
ME	\$118,922
CT	\$109,306
NH	\$104,660
NY	\$95,397
RI	\$71,395



State	2024 Average Child Care Educator Wage
MA	\$19.88
VT	\$18.93
NY	\$18.37
CT	\$17.50
NJ	\$17.25
RI	\$16.74

In 2025, the federal HR1 Big Ugly Bill gave tax breaks to the wealthiest Americans by cutting SNAP and health insurance benefits for families. These cuts will reduce children's access to healthcare and food unless new state funding is allocated to backfill these losses.

New State Revenue is Needed to Help Children Access Food, Healthcare, and Child Care

[Significant new revenue is needed](#) to ensure all families have access to affordable, high-quality child care and early education programs so parents can work to cover housing costs and other basic needs and children can learn, play, and grow in nurturing environments. New state revenue is also needed to backfill federal cuts to [SNAP](#), [Medicaid](#), and [health insurance subsidies](#) to ensure children and families have access to food and healthcare.



Governor McKee's FY27 Budget Millionaire's Tax

- New 3% surtax on household taxable income exceeding \$1 million.
- Would generate \$135 million in additional state revenue per year.
- Only affects 2,300 tax filers out of approximately 500,000 filers.

Revenue for Rhode Islanders bill (Alzate/H-2238; Murray/S-7313)

- New 3% surtax on household taxable income exceeding \$640,000.
- Would generate \$203 million in additional state revenue per year.
- Only affects 6,100 tax filers out of approximately 500,000 filers.



When Ultra-High Earners Pay Their Fair Share, Everyone Wins!

- Corporate executives, Wall Street analysts, and Federal Reserve officials report that America has a [“K-shaped economy” with higher-income Americans seeing substantial income growth while lower-income households struggle with weaker income gains and higher costs](#) for everyday basics like healthcare, food, housing, and child care.
- California, Massachusetts, Minnesota, New Jersey, New York, and the District of Columbia levy surcharges on very high earners with income over \$1 million to **fund public services and balance budgets**.
- [The Massachusetts “Millionaire’s Tax” enacted in 2023 generated nearly \\$3 billion in new state revenue in 2025](#) from a surtax on households earning more than \$1 million per year. **Revenue exceeded projections due to an increase in ultra-high earning households.**

Questions & Answers About the Ultra-High Earners Tax

Q: Would the value of my house, retirement accounts, or other assets count toward the “millionaire’s tax?”

A: No, the millionaire’s or Revenue for Rhode Islanders tax is an income tax and not a “wealth tax” and would not apply to the value of household or personal assets. It would apply **only to household annual income after subtracting deductions, exemptions, and adjustments.**

Q: If I have **substantial business revenue and report this through my personal taxes**, would that business revenue count toward the “millionaire’s tax?”

A. If you report business earnings through your personal taxes as an S-Corp/Pass Through Entity, **only annual business profit (revenue minus expenses) would count.** For example, a child care business may have \$1.5 million in revenue and \$1.45 million in expenses (staff wages and benefits, building mortgage/rent, utilities, supplies, food, contracted services, liability insurance, etc.) so only \$50,000 in profit would count in the overall taxable household income.

Q: How will the state will use the revenue generated from this tax?

A. The new revenue will go into the state’s general fund and can be used for anything. The best way to ensure the state uses funds to help children is to **let the Governor and the General Assembly know you want new funds to go to help children and families with healthcare, food, and child care.**