



Testimony in **OPPOSITION** to S-2539 to Phase Out the Taxation of Social Security Income

Senate Committee on Finance

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The Economic Progress Institute **opposes S-2539 and its proposal to phase out over four years the taxation of Social Security income.**

Current law already exempts from state taxation the Social Security income of low-income and modest-income Rhode Islanders, those with federal AGI under a certain amount (\$107,000 for single filers and \$133,750 for joint filers in Tax Year 2025). For the most part, this exemption works fine as is, helping those seniors with the lowest incomes and greatest needs.

However, eliminating social security taxation altogether would most benefit those with the highest incomes, including millionaires.

At the request of the Economic Progress Institute (EPI), the Institute on Taxation and Economic Policy (ITEP) analyzed the Governor's alternative proposal to eliminate Social Security taxation and estimated that **91 percent of the benefit from this proposal would go to the top 20 percent in income**, those with total income of \$151,000 and above. Furthermore, **35 percent of the benefit would go to the top five percent, and close to seven percent of the benefit would go to the top one percent.** The average income of those who benefit would be \$429,300.

Furthermore, **the cost of this proposal would reach above \$60 million in FY2030.** At a time when the budget is tight, and with hundreds of millions of dollars in cuts in federal assistance anticipated, **this is not the time to give a tax break to those who need it least.**

There is one positive change we ought to make to social security taxation: **to allow Social Security beneficiaries below full retirement age to be eligible for the low-income taxation exemption, as this will help lower-income seniors who likely elected to take their benefits early because they had few or no other options for income.**

We urge you not to advance S-2539 to the Senate floor.