



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

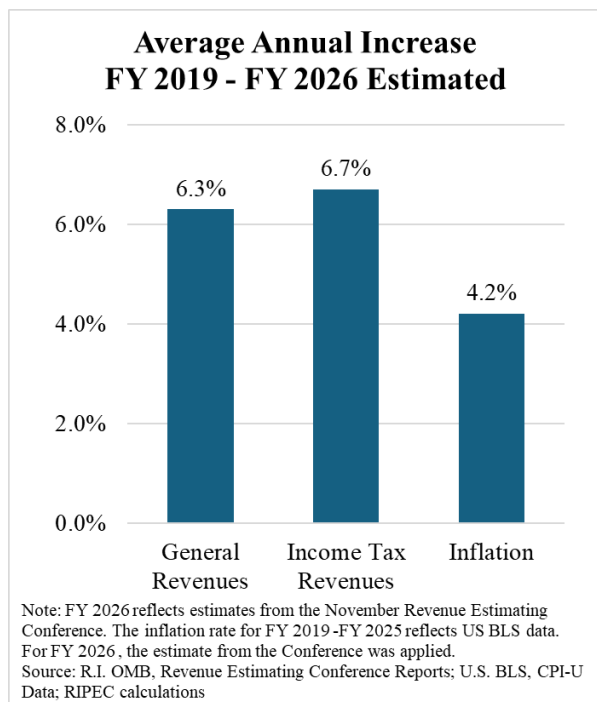
RE: Senate Bill 2672 – Relating to Taxation – Personal Income Tax

Dear Chairperson DiPalma,

I am writing on behalf of the Rhode Island Public Expenditure Council (RIPEC) in support of Senate Bill 2672 – Relating to Taxation – Personal Income Tax, which would establish a phased reduction of personal income tax rates over five years, beginning January 1, 2027. The reduction would be implemented across Rhode Island’s three existing tax brackets in equal increments of two percent per year, resulting in rates of 3.38 percent (down from 3.75 percent), 4.28 percent (down from 4.75 percent), and 5.39 percent (down from 5.99 percent) for the first, second, and third tax brackets, respectively, by January 1, 2031.

This proposal is based on the strong growth in state revenues and the need to improve Rhode Island’s competitiveness relative to other states.

Rhode Island has experienced substantial increases in state revenues in recent years, significantly outpacing inflation. Since FY 2019, total general revenues have grown at an average annual rate of 6.3 percent, while personal income



tax revenues alone have increased at an average annual rate of 6.7 percent—both well above the 4.2 percent average annual rate of inflation during this period. In total, this amounts to \$585 million in new general revenue funds and \$191 million in additional state income tax revenues beyond the level of revenues if they had grown at the rate of inflation.

Looking ahead to FY 2027, revenue increases are projected to remain steady without legislative changes. At the November Revenue Estimating Conference, general revenues were projected to increase 3.0 percent year over year, while personal income tax revenues were projected to grow by 3.6 percent.¹

Rhode Island is hardly the only state to have experienced such a revenue windfall, but it is among a minority of states that have not returned a portion of these funds to taxpayers. Between FY 2020 and FY 2024, 27 states reduced the rate of at least one major tax—individual income, corporate income, or sales. Notably, these states continued to experience tax revenue growth, collectively outpacing the growth of states that either made no changes or increased rates, as the economies of those tax-cutting states grew more quickly.²

Income taxes were the most common form of tax relief enacted by states during this period, and as a result, Rhode Island’s current rates have become markedly less competitive. Between tax years 2020 and 2026, 21 states reduced their top income tax rate, while only four increased it. In addition, eight states enacted legislation to transition to a flat income tax structure. Consequently, the number of states with top rates between 5.0 percent and 7.0 percent fell by nearly half (from 21 to 12), while the number of states with top rates below 5.0 percent nearly doubled (from 10 to 19).³ As a 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.⁴

Rhode Island is not competitive in terms of its income tax structure, or taxes more generally. In the Tax Foundation’s most recent State Tax Competitiveness Index, the Ocean State ranked 40th, or 11th worst, reflecting a relatively weak competitive standing.⁵ Senate Bill 2672 offers Rhode Island the opportunity to put its tax structure on a more competitive footing, providing tax savings across income levels and fostering a stronger environment for economic growth that benefits all Rhode Islanders.

For these reasons, I urge the Committee to advance Senate Bill 2672.

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

² The 27 states that cut the rate of a major tax collectively saw a 9.8 percent increase in tax revenues in real terms between 2019 and 2023, compared to a 6.2 percent increase for the remaining 23 states. Jared Walczak, [“Can States Afford Their Recent Tax Cuts?”](#) March 28, 2024.

³ 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.

⁴ 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.

⁵ Tax Foundation, [2026 State Tax Competitiveness Index](#).

Sincerely,

A handwritten signature in blue ink that reads "Michael DiBiase". The signature is written in a cursive style with a clear, legible font.

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.