

Senator Louis DiPalma, Chair

Senate Finance Committee

April 30, 2026

### **Support for S2238, S3261, and S3154**

Chair DiPalma and Members of the Committee,

Rhode Island Working Families Power writes in strong support of S2238, S3261, and S3154—critical pieces of legislation to modernize Rhode Island’s tax system and ensure that the wealthiest households contribute their fair share to support the services our communities rely on.

Working Families Power advocates for policies that promote economic justice and allow all residents to provide for themselves and their families and contribute to their communities. These bills would advance those goals by making our tax code more equitable and generating sustainable revenue for investments in child care, education, housing, transportation, and healthcare.

#### **S2238 – Revenue for Rhode Islanders**

S2238 from Sen. Murray would establish a 3% surtax on taxable income over \$640,000, beginning in tax year 2027. This policy ensures that the top 1% of filers in Rhode Island—those who have benefited the most from our economy—are asked to contribute their fair share back to it. By setting the threshold at \$640,000 in 2026 dollars, this bill more accurately captures the top 1% of earners in Rhode Island, rather than limiting the tax to those earning over \$1 million as the Governor’s budget proposal would do—a threshold that excludes a significant portion of the state’s highest-income households. This adjustment reflects the real distribution of income in the state and ensures that tax policy is grounded in current economic conditions.

Trump’s HR1 bill significantly cut taxes for the wealthiest households and cut programs like Medicaid. These cuts would have devastating consequences, especially for low-income residents and people with disabilities. Without additional state-level revenue, Rhode Island

could face difficult choices between reducing coverage, cutting provider payments, or diverting funds from other vital services.

S2238 provides a responsible and equitable way for the state to respond to these challenges. By asking the highest-income households to contribute slightly more, Rhode Island can help offset potential federal cuts and protect access to healthcare for tens of thousands of residents. In this way, the bill not only improves tax fairness but also strengthens the state's ability to maintain critical services.

At the same time, S2238 helps address a fundamental inequity in Rhode Island's tax system. Currently, low- and middle-income residents pay a higher share of their income in state and local taxes than the wealthiest households. By asking the top 1% to contribute slightly more, this bill moves the state toward a more balanced and fair tax structure.

There is also strong public support for this approach. Polling consistently shows that Rhode Islanders overwhelmingly support increasing taxes on the wealthiest residents to fund investments in education, healthcare, childcare and infrastructure. Voters understand that shared prosperity requires shared responsibility. For all of these reasons, S2238 represents a thoughtful, targeted, and broadly supported approach to strengthening Rhode Island's fiscal foundation while advancing economic fairness.

### **S3261 – Wealth Tax**

S3261 from Sen. Mack would enact a 1% tax on worldwide wealth held by Rhode Island tax filers above \$25 million. This proposal addresses the growing concentration of wealth that is often untaxed or undertaxed compared to income from wages.

A modest tax on extreme wealth recognizes that accumulated assets—stocks, bonds, and other holdings above \$25 million—represent economic power and benefit from public infrastructure and systems. This bill would help ensure that the wealthiest households contribute to maintaining and strengthening those shared systems.

### **S3154 – Wealth Proceeds Tax**

S3154 from Sen. Kallman would impose a 4% tax on net investment income for high-income households, estates, and trusts. This includes income from capital gains, dividends, interest, rents, and other sources of passive income.

Currently, income derived from wealth is often taxed at lower rates than income from work. This bill helps correct that imbalance by ensuring that high-income households pay a fairer rate on investment earnings, bringing greater parity between wage earners and those whose income is primarily derived from passive assets.

Rhode Island's current tax system remains upside-down, with low- and middle-income residents often paying a higher share of their income in taxes than the wealthiest households. Together, these three bills represent a comprehensive approach to tax fairness. They would generate needed revenue while asking the most affluent Rhode Islanders to contribute more—ensuring that we can invest in our communities and build a stronger, more equitable state.

We respectfully urge you to move forward S2238, S3261, and S3154 and take an important step toward a fairer tax system for all Rhode Islanders.

Respectfully submitted,

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Rhode Island Working Families Power