



Rhode Island Senate Finance Committee

Chair, Sen. Louis Di Palma

April 30, 2026

Written submission from Reclaim RI

Regarding the "Fair Share" bills: S2238, S3154, S2361, and S2028

Rhode Island has faced significant fiscal challenges in recent years, and our state's financial difficulties look even more concerning in the years to come. Massive spending cuts from the Federal government have damaged our state's financial well-being. But Rhode Island's obligation to provide adequate funding for education, transit, housing, healthcare, and other social programs means that the state desperately needs new revenue.

There is a simple solution to our financial problems. We must restore fairness to our tax code. This means fixing the unjust state tax system, which is currently setting our state up for financial distress and potential failure. Our current tax system is deeply flawed because it allows the richest Rhode Islanders, who are perfectly able to pay their fair share, to instead pay state and local taxes at a rate lower than any other tax bracket. Rhode Island is leaving tens of millions on the table every year by operating with such an unbalanced tax system.

By restoring reasonable taxes on the people making the highest incomes, we can fully fund the essential services and infrastructural projects that will make the lives of every Rhode Islander better, more dignified, and more secure. Taxing the rich their fair share is good policy. It will save our state from fiscal disaster and allow us to provide excellent public services, while carrying minimal risks.

### **1. Rhode Island needs to increase state revenue**

Rhode Island's current fiscal situation shows a clear and significant need for new, reliable revenue sources. The state is struggling to close a projected \$300 million budget deficit for the 2026-2027 fiscal year.<sup>1</sup> Meanwhile, the state's financial dire straits have put funding for essential services like RIPTA on the chopping block, as the state tries to find ways to save.

### **2. Federal cuts are exacerbating the situation by costing RI tens of millions**

Because of the Trump administration's cuts, tens of thousands of Rhode Islanders could stand to lose access to essential public services like healthcare, SNAP food assistance, and

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<sup>1</sup><https://www.providencejournal.com/story/news/politics/2025/10/16/rhode-island-ended-fiscal-year-with-surplus-but-projects-300-million-dollar-gap-for-next-year/86715398007/?qnt-cfr=1&gca-cat=p&gca-uir=true&gca-epti=z112009p000750c000750e007700v112009d--43--b--43--&gca-ft=141&gca-ds=sophi>

education.<sup>2</sup> Instead of allowing Rhode Islanders to suffer on account of the federal government's funding cuts, we could protect our most vulnerable by raising revenue to offset these losses.

### **3. Draconian spending cuts would further damage our state**

Cutting spending to make the budget add up is not a workable option. As it stands, Rhode Island's budget woes would be resolved by allowing crippling cuts to go into effect. We cannot allow 34,000 of our neighbors to lose their healthcare coverage. We cannot stand by while our neighbors, including children and seniors, go hungry and lose access to SNAP benefits. And we cannot allow further cuts to RIPTA, which would make daily life even more difficult for thousands of our community members who rely on it for work and necessities.

On the other hand, fully funding these essential services would not only support our neighbors, but set our state on the path to economic growth that will undergird long-term fiscal health. A Rhode Island with a healthy, well-educated, and mobile population is one that will be on track for economic success for years to come.

### **4. Restoring a fairer tax system is the best way to raise revenue**

Given the budget deficit and the unacceptability of spending cuts, there is a clear need for revenue. The question then is, how do we raise the necessary funds? Restoring a fairer tax system by raising taxes on the wealthy is the simplest, most reasonable, and most fiscally responsible path forward.

First, this path will not only provide RI with the public revenue we need, but will provide recurring revenue. Our programs require recurring funding, so it is fiscally irresponsible to raise revenue to meet those financial needs by tapping into reserve funds or rainy-day funds. Instead, we need ongoing sources of revenue. Taxing the rich their fair share will provide that.

Second, by taxing personal income for the very wealthy, we will recapture the lost tax revenue that the Trump cuts took from us. In 2017, the Federal government made extreme cuts to corporate tax rates and personal income taxes for the wealthiest Americans. These cuts created a deeply unjust and regressive federal tax structure.<sup>3</sup> We can compensate for these cuts and restore the funding that was taken from us by taxing exorbitant wealth, high incomes, and passive incomes like capital gains at reasonable levels.

These taxes are reasonable and sound. Rhode Island has taxed corporations and personal incomes for generations, and we have the state capacity to administer, collect, and enforce

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<sup>2</sup><https://www.providencejournal.com/story/news/politics/2025/04/02/trump-spending-cuts-impact-nearly-100m-in-funding-for-rhode-island/82756767007/?qnt-cfr=1&gca-cat=p&gca-uir=true&gca-epti=z116109p002029a11xx50c11xx50e008500v116109d--46--b--46--&gca-ft=219&gca-ds=sophi>

<sup>3</sup><https://www.cbpp.org/research/federal-tax/the-2017-trump-tax-law-was-skewed-to-the-rich-expensive-and-failed-to-deliver>

these taxes. They will provide our state with the much-needed revenue that will allow us to continue to provide essential public services to our people.

## **5. There are no real risks or downsides to this policy**

Whenever income tax increases on the wealthy and on those with high incomes are proposed, the same fears and disaster scenarios are repeated. Corporate lobbyists and politicians funded by the wealthy argue that a tax increase will have catastrophic consequences because the wealthy will leave whatever jurisdiction is considering the tax increase. This rhetoric appears in cities and states all over the country, whenever any jurisdiction is considering a tax increase on the rich, no matter how modest the proposed increase may be.

However, the reality is simple. Tax increases do not meaningfully influence migration patterns of those affected. States like New York, Massachusetts, California, and New Jersey have relatively high taxes on the wealthy but have not seen the wealthy leave.

## **6. Examples of successful tax increases on the wealthy**

Two specific examples demonstrate that these sorts of tax increases work. In 2022, Massachusetts passed a “Fair Share Amendment” which taxed incomes over \$1 million. In the following years, the number of millionaire Massachusetts residents increased from approximately 440,000 in 2022 to over 600,000 in 2024.<sup>4</sup> More importantly, the tax allowed Massachusetts to raise \$2.46 billion in revenue in 2023 alone. It has generated about \$6 billion in state revenue total since its passage.<sup>5</sup>

Take another example. New Jersey raised tax rates on those with incomes above \$500,000 in 2004. For each percent increase in the tax rate, only 0.1% of wealthy New Jersey residents moved out. Meanwhile, the tax generated over \$1 billion annually in revenue for the state.<sup>6</sup>

An important takeaway from these examples is that tax increases on the wealthy do not carry any real risks, and have massive benefits. In discussing the current proposed tax increases, opponents argue that the tax increases might cause mass migration of the rich to lower-tax jurisdictions. But the reality is, we know from previous examples that the negative effects will be negligible and the positive effects will be enormous.

## **7. Conclusion**

These four bills are not radical. On the contrary, they would balance out and fix the flaws that currently exist in our system. If we enact a sensible tax system that requires everyone to pay their fair share, as many other states have done, we can fully fund all our essential services so that Rhode Island can thrive for generations to come.

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<sup>4</sup> <https://massbudget.org/fairshare/>

<sup>5</sup> <https://www.mass.gov/info-details/delivering-on-fair-share-impact-report>

<sup>6</sup> <https://www.njpp.org/publications/blog-category/the-millionaires-tax-a-fair-stable-source-of-revenue/>