TAXING HIGH EARNERS

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House Bill 7127 Article 5, Section 6 would impose a tax rate of 8.99% on taxable income over $1 million. This would raise the tax rate on such income by 50% over the current top rate of 5.99%. This proposal carries **significant and long-term risk** to state revenues and the **economic opportunities** of all Rhode Islanders.

The **Rhode Island Public Expenditure Council** has shared significant **research and analysis** examining the potential **impact** of tax increases on high earners.

Rhode Island does not have a revenue problem; it has a spending problem.

State revenues are projected to **grow by 3%** next year and have increased at an average rate of **6.3% annually** since FY 2019, far **outpacing inflation** (4.2%).

Businesses pay income tax. A tax hike would limit opportunities to grow.

75% of filers with taxable income over $1 million **report business income or losses**, and business income accounted for **23% of their total income.**

Most states are cutting income taxes, making RI much less competitive.

Since 2021, **26 states have cut their income tax rates.** 26 states have top rates below 5% and an additional 8 states do not levy income tax.

RI already has the **13th highest** top income tax rate in the US and would have the **8th highest**, essentially tying with MA for the highest in New England, under this proposal.

Massachusetts has gone against nationwide trends in raising its top rate

Beginning before enacting the millionaire's tax, MA has been **losing population** and tax revenues as **residents move** primarily to low-cost and low-tax states.

Studies show that high state personal income taxes negatively affect economic growth, as **individuals and capital move** in response to differences in state tax rates.

Rhode Island already has a progressive income tax.

Taxpayers earning more than $1 million

make up 0.3% of filers and

represent 24% of the state's total tax liability.

*A dramatic increase in tax rates for higher income taxpayers threatens to undermine Rhode Island's already **weak competitive standing**. Any potential revenue gains would likely be eroded over time by the **increased out-migration** of high earners. Even more significant than the loss of income tax revenues is the likely **loss of business activity**, investments, and other tax revenues—a negative outcome for all Rhode Islanders.*

-Michael DiBiase
RIPEC President & CEO

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