RIPEC

Rhode Island's Millionaire's Tax Proposal:
THE ECONOMIC RISKS OF BECOMING LESS COMPETITIVE AND LOSING TAXPAYERS

MAY 2026

Governor Daniel J. McKee has proposed adding a fourth income tax bracket in his FY 2027 budget, which would tax income over $1.0 million at 8.99 percent—a 50 percent increase over the current 5.99 percent top rate. RIPEC's analysis finds that, if enacted, this would reduce Rhode Island's tax competitiveness and could lead to increased domestic outmigration, particularly among higher-income taxpayers who account for a disproportionate share of economic activity and tax revenues.

Key Takeaways

- In tax year 2023, **55 percent of Rhode Island income tax revenue** was generated by households earning $200,000 or more, despite these taxpayers representing just seven percent of returns.
- Between tax years 2020 and 2026, **21 states reduced their top income tax rate,** while four increased it; **eight adopted flat tax structures**, and only Massachusetts moved away from one. So far this year, two states have passed legislation to raise their top rate, and one to lower it.
- The number of states with top rates between 5.0 percent and 7.0 percent fell by nearly half—from 21 to 12—between tax years 2020 and 2026, while **states with top rates below 5.0 percent nearly doubled, from ten to 19**.
- **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. Rhode Island is one of 26 states with a graduated income tax structure.
- State **top marginal income tax rates are linked to greater net domestic migration**, with higher-tax states experiencing greater outmigration between 2020 and 2025.
- On a per-capita basis, **Rhode Island net domestic outmigration ranked tenth** highest in the U.S. between 2020 and 2025. In New England, only Massachusetts ranked higher (seventh).
- **Massachusetts experienced heightened net domestic** outmigration since 2020, totaling roughly 68,000 filers and $12.4 billion in associated adjusted gross income (AGI) between 2020 and 2023.
- In 2023, the first year of Massachusetts' 4.0 percent surtax on income over $1.0 million, **Bay State migration shifted toward higher-income taxpayers**.
- Between 2020 and 2023, **Massachusetts was the largest source of new Rhode Island residents**. Rhode Island has experienced net positive migration from Massachusetts since 2016, with annual gains since 2020 exceeding 1,200 taxpayers and $175 million in associated AGI.

Rhode Island's Personal Income Tax Structure: Current and Proposed

For each taxable year, the State of Rhode Island levies a tax on the federal adjusted gross income of every individual, estate, and trust.[1] Returns may be filed individually, jointly, or as a head of household.[2] Categories of income subject to Rhode Island income tax include salaries and wages, some forms of interest and dividends, some forms of pensions and annuities, and the business income of pass-through entities, including sole proprietorships, partnerships, S Corporations, limited liability corporations, and trusts. In tax year 2023, eight percent of the total income tax liability in the state was attributed to pass-through income, though the rate was higher at higher income levels; for returns with AGI of $200,000 or greater, 14 percent of income tax liability was from business income.[3] Rhode Island state income tax data related to income levels above $200,000 are not available.[4]

Rhode Island has a graduated tax rate, with three personal income brackets annually adjusted for inflation. Depicted in Figure 1, for tax year 2026, a rate of 3.75 percent is applied to income up to $82,050, 4.75 percent is applied to income greater than $82,050 and up to $186,450, and 5.99 percent is applied to income exceeding $186,450. Shown in Figure 2, under this structure, a majority of income tax revenue (55 percent) was generated by households earning $200,000 or more in 2023, while these taxpayers represented just seven percent of returns. Taxpayers with income above $100,000 accounted for 80 percent of income tax revenue while comprising 25 percent of returns.

Figure 1
RI Income Tax Brackets 2026

Rate	Income Level
3.75%	$0 - $82,050
4.75%	>$82,050 - $186,450
5.99%	>$186,450

Note: Income indexed for inflation

Source: R.I. Dept. of Revenue

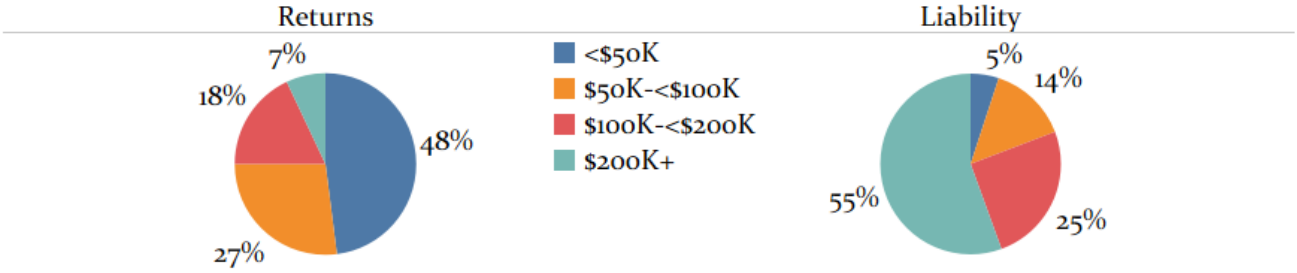
[1] The income of Rhode Island residents is subject to tax, while non-resident income is subject to tax when attributable to Rhode Island sources. R.I. Dept. of Revenue, Personal Income Tax.

[2] Nonmarried individuals may file single returns or head of household returns if they provide primary financial support for a qualifying dependent. Married individuals may file joint or separate returns. U.S. IRS, "Who is a Qualifying Person Qualifying You to File as Head of Household?"; R.I. Dept. of Revenue, Personal Income Tax Forms. Most returns are single returns, representing over half of total returns filed in 2022 by both in-state and out-of-state filers. Joint returns comprised about a third of total returns. U.S. IRS, Statistics of Income Tax, Historic Table 2, state data tax year 2022; RIPEC calculations.

[3] R.I. Dept. of Revenue, Pass-through Entities. Pass-through entities represent most businesses in Rhode Island. R.I. Division of Taxation, Statistics of Income, 2019 Corporate Report – All Returns, 2019 Corporate Report – C Corp Returns; RIPEC calculations. R.I. Dept. of Revenue, Resident Income Tax Return Summary Tax Year 2023, Data as of January 23, 2026; RIPEC calculations.

[4] Data from the IRS suggests pass-through income makes up about a quarter of adjusted gross income at the $1.0 million or above level. U.S. IRS, Statistics of Income Tax, Historic Table 2, state data tax year 2022; RIPEC calculations.

Figure 2
Rhode Island Income Tax Returns and Tax Liability by Income Level
2023



Source: R.I. Dept. of Revenue, Resident Income Tax Return Summary Tax Year 2023; RIPEC calculations.

Proposals to Create a New Top Income Tax Bracket

Governor Daniel J McKee's proposed budget for FY 2027 includes a proposal to add a fourth income tax bracket, which would apply a rate of 8.99 percent on taxable income over $1.0 million—an increase of 50 percent over the current top rate. This bracket would be indexed for inflation and would apply to tax years beginning on or after January 1, 2027.[5]

Legislation has also been proposed in the Rhode Island General Assembly that would add a fourth income tax bracket at 8.99 percent—like in the governor's proposal—though at a much lower threshold of roughly $640,000.[6] Similar measures have been introduced in the General Assembly over the past several years.[7]

Recent State Income Tax Trends: Widespread Cuts and a Growing Divide

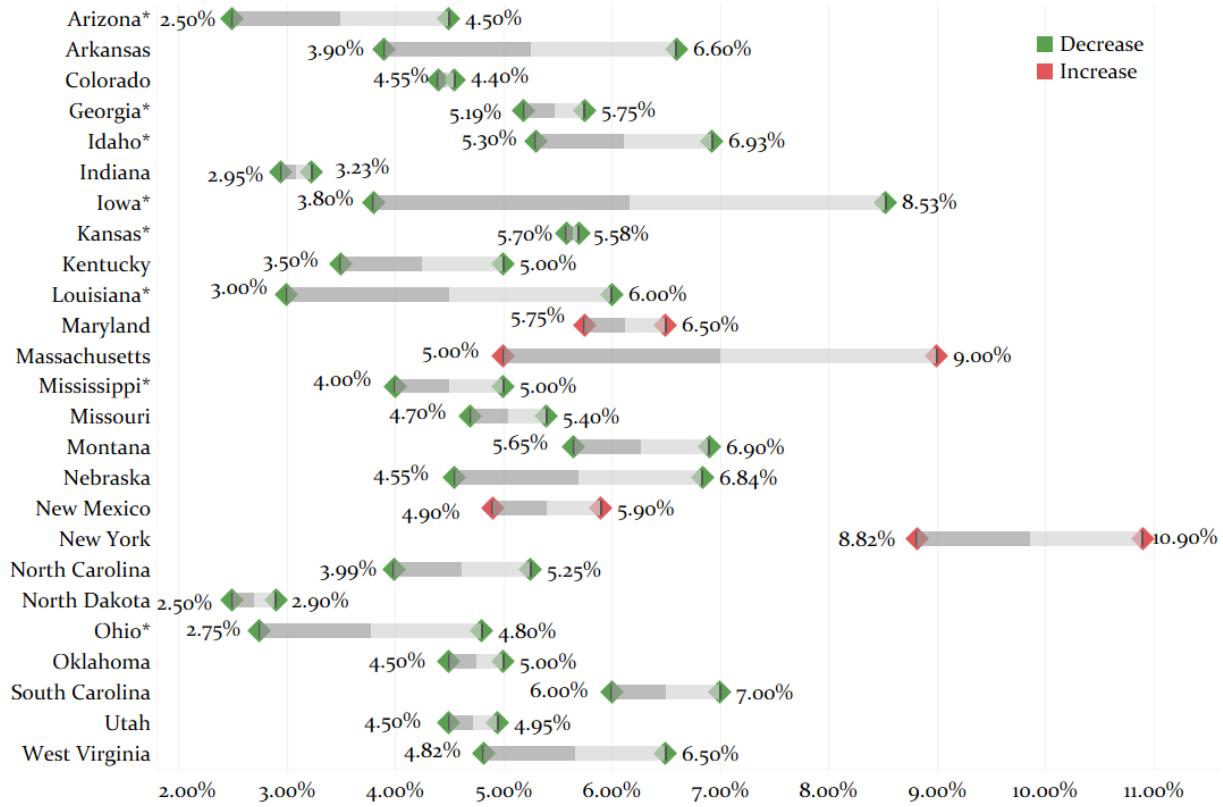
In the early 2020s, several factors—including federal stimulus measures, strong stock market performance, and elevated consumer demand—contributed to what the National Association of State Budget Officers described as "an atypical period" for state budgets, marked by "record-breaking revenue growth." By FY 2023, general fund revenues nationwide exceeded FY 2019 levels

[5] The governor's budget projects that the tax would increase state general revenues by $67.1 million in FY 2027 and $135.5 million in FY 2028. R.I. OMB, Fiscal Year 2027 Budget Proposal, Executive Summary.
[6] Like the governor's proposal, this bracket would also be indexed for inflation and take effect in tax year 2027. Bills 2026-S-2238 and 2026-H-7313. This proposal is part of a package of four bills announced as the "Fair Share for Rhode Island Package." In addition to this proposal, the package includes a one percent tax on Rhode Island filers with worldwide financial assets over $25 million, a four percent tax on wealth proceeds—including capital gains, dividends, interest, and annuities—and a digital advertising tax on businesses with more than $1.0 million in annual gross revenue from digital advertising services. R.I. General Assembly, Press Releases, "State lawmakers announce 'Fair Share for Rhode Island' package," January 23, 2026.
[7] RIPEC, "Taxing Top Earners: The Potential Effects of a Proposed Income Tax Hike in Rhode Island," April 2025.

by 33 percent.[8] Amid this revenue surge, 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 change or increased rates.[9]

Against this backdrop, a growing divide has emerged in state income tax rates and structures. Currently, 41 states levy a tax on salaries, wages, and other earnings.[10] Of those states, more than half (21) reduced their top income tax rate between tax years 2020 and 2026. At the same time, and as depicted in Figure 3, four states—Maryland, Massachusetts, New Mexico, and New York—moved in the opposite direction of the majority, increasing their top rate.

Figure 3
State Changes to Top Income Tax Rate
Tax Year 2020 - Tax Year 2026



* Indicates that the reduction in the top rate occurred as part of the state's transition to a flat tax structure
Source: Tax Foundation, State Income Tax Rates, 2020, 2026; "The State Flat Tax Revolution: Where Things Stand Today"

[8] Kathryn White, "The Impact of Surplus Funds on State Budgets in Recent Years," NASBO, March 11, 2025.
[9] 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.
[10] Eight states do not levy tax on any form of income: Wyoming, Texas, Tennessee, South Dakota, New Hampshire, Nevada, Florida, and Alaska. Washington levies a tax on interest and dividend income only. Janelle Fritts and Katherine Loughead, "State Individual Income Tax Rates and Brackets, 2026," Tax Foundation, February 17, 2026.

There also has been a marked increase in the number of states adopting a flat income tax structure—applying a single rate across all income levels—since tax year 2020. Between tax years 2020 and 2026, eight states enacted laws to transition to a flat tax structure, bringing the total number of states with flat income taxes to 15. By contrast, Massachusetts is the only state to have moved in the opposite direction, adopting a high-income surtax that deviated from its previously flat structure.[11]

As a result of the trend toward cutting top rates—and the much smaller trend of raising them—there are far fewer middling top tax rates today than six years ago. Highlighted in Figure 4, there were 21 states with a rate from 5.00 percent to 7.00 percent in tax year 2020. By 2026, that number had shrunk to 12. While ten states had top rates below 5.00 percent in tax year 2020, by 2026 this number had expanded to 19 states. In addition, given the trend towards flat income tax structures, only 26 states now have a graduated income tax.

Consequently, Rhode Island, which made no changes to its income tax structure in this period, now has a relatively higher top tax rate, 15th highest among states, compared to 20th in tax year 2020. If Rhode Island had a top tax rate of 8.99 percent, as proposed, it would have had the eighth highest top income tax rate among states in tax year 2026.

Figure 4
Top Personal Income Tax Rate by State
2020 vs. 2026

2020		2026	
California	13.30%	California	13.30%
Hawaii	11.00%	Hawaii	11.00%
New Jersey	10.75%	New York	10.90%
Oregon	9.90%	New Jersey	10.75%
Minnesota	9.85%	Oregon	9.90%
New York	8.82%	Minnesota	9.85%
Vermont	8.75%	Massachusetts	9.00%
Iowa	8.53%	Vermont	8.75%
Wisconsin	7.65%	Wisconsin	7.65%
Maine	7.15%	Maine	7.15%
South Carolina	7.00%	Connecticut	6.99%
Connecticut	6.99%	Delaware	6.60%
Idaho	6.93%	Maryland	6.50%
Montana	6.90%	South Carolina	6.00%
Nebraska	6.84%	Rhode Island	5.99%
Delaware	6.60%	New Mexico	5.90%
Arkansas	6.60%	Virginia	5.75%
West Virginia	6.50%	Montana	5.65%
Louisiana	6.00%	Kansas	5.58%
Rhode Island	5.99%	Idaho	5.30%
Virginia	5.75%	Georgia	5.19%
Maryland	5.75%	Alabama	5.00%
Georgia	5.75%	Illinois	4.95%
Kansas	5.70%	West Virginia	4.82%
Missouri	5.40%	Missouri	4.70%
North Carolina	5.25%	Nebraska	4.55%
Oklahoma	5.00%	Utah	4.50%
Mississippi	5.00%	Oklahoma	4.50%
Massachusetts	5.00%	Colorado	4.40%
Kentucky	5.00%	Michigan	4.25%
Alabama	5.00%	Mississippi	4.00%
Utah	4.95%	North Carolina	3.99%
Illinois	4.95%	Arkansas	3.90%
New Mexico	4.90%	Iowa	3.80%
Ohio	4.80%	Kentucky	3.50%
Colorado	4.55%	Pennsylvania	3.07%
Arizona	4.50%	Louisiana	3.00%
Michigan	4.25%	Indiana	2.95%
Indiana	3.23%	Ohio	2.75%
Pennsylvania	3.07%	North Dakota	2.50%
North Dakota	2.90%	Arizona	2.50%

◂ RI Proposed (8.99%)

Note: Excludes states that do not levy an income tax, including Tennessee and New Hampshire, which imposed a tax exclusively on interest and dividend income until 2021 and 2025, respectively, and Washington, which began levying a tax on capital gains in 2022.
Source: Tax Foundation. Income Tax Rates. 2020. 2026.

[11] An additional state, Kansas, has enacted legislation to move towards a flat tax structure. Jared Walczak and Katherine Loughead, "The State Flat Tax Revolution: Where Things Stand Today," October 8, 2025.

This hollowing out of middle-range top tax rates is ongoing, driven by both previously enacted rate reductions and new legislative activity. Under existing law, several states have additional income tax cuts planned: Georgia (5.09% to 4.99% in 2027), Indiana (2.95% to 2.9% in 2027), Montana (5.65% to 5.4% in 2027), Nebraska (5.55% to 3.99% in 2027), and Mississippi (4.0% to 3.0% by 2030).[12]

At the same time, states continue to pursue both rate increases and reductions.[13] Thus far in the 2026 legislative session, South Carolina's governor signed legislation that sets a course to eliminate the state income tax over an unspecified number of years and to more immediately drop the state's top rate from 6.0 percent to 5.21 percent.[14] On the other side of the ledger, Washington—which currently does not tax individual wage or salary income but imposes a 7.0 percent tax on capital gains above an inflation-adjusted exemption (approximately $285,000) and a 9.9 percent rate on gains above $1.0 million—recently enacted a 9.9 percent tax on income over $1.0 million, which will take effect on January 1, 2028.[15] Maine similarly enacted a new tax bracket of 9.15 percent on income over $1.0 million for single filers and $1.5 million for joint filers and heads of households—an increase of 28 percent over Maine's current top rate of 7.15 percent.[16]

Domestic Migration Trends: States Gaining and Losing Population

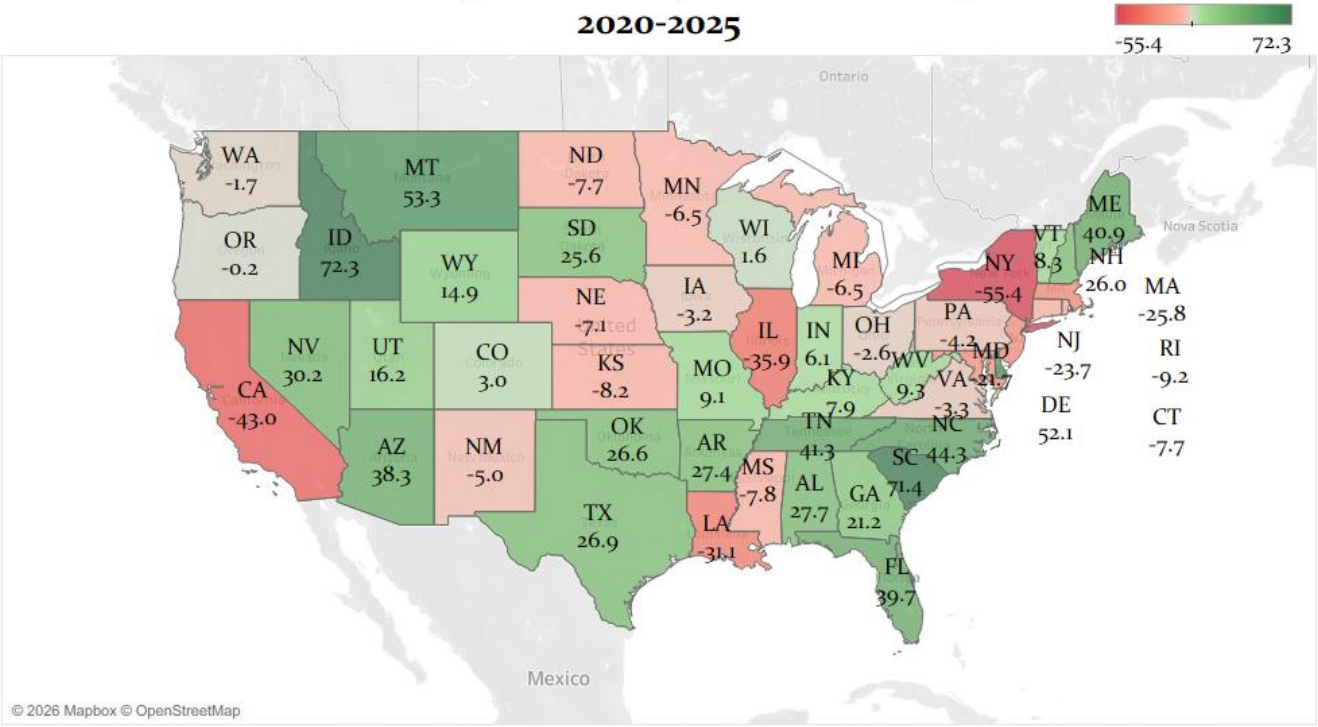
Domestic, or interstate, migration patterns vary widely across states, with 26 states gaining residents since 2020 and 24 experiencing outmigration. Figure 5 shows net domestic migration as estimated by the U.S. Census Bureau between 2020 and 2025 and highlights that New York experienced the largest outmigration relative to its population (–55.4 per 1,000 residents) in this period while Idaho (+72.3) saw the largest gains. Within New England, Maine (+40.9), New Hampshire (+26.0), and Vermont (+8.3) gained residents, while Massachusetts (–25.8), Rhode Island (–9.2), and Connecticut (–7.7) experienced net losses. With the greatest level of domestic outmigration per capita in New England, Massachusetts ranked seventh highest nationwide in this measure.

Rhode Island's net domestic outmigration ranked tenth highest in the nation in per capita terms and totaled 10,150 people between 2020 and 2025. In addition, the Ocean State experienced a

[12] Nicole Fox and Jacob Macumber-Rosin, "State Tax Changes Taking Effect January 1, 2026," Tax Foundation, December 18, 2025.
[13] Jared Walczak, "The State Income Tax Divergence," Tax Foundation, February 5, 2026.
[14] Joseph Bustos, "SC cuts taxes. Here's a look at what changes will impact your pocket book," *The State*, April 1, 2026.
[15] Jerry Cornfield, "Income tax signed in Washington with a legal challenge close behind," *Washington State Standard,* March 30, 2026.
[16] Emma Davis, "Tax on millionaires, rainy day fund anchor new budget plan," *Maine Morning Star*, April 1, 2026.

natural population decline in this period, with deaths exceeding births by 3,923. However, net international migration of 30,927 more than offset these losses, resulting in modest population growth of two percent.[17] In comparison, top inbound states for domestic migration like Idaho and South Carolina experienced respective total population increases of ten percent and nine percent in this five-year period, while the U.S. overall saw its population expand by three percent.[18]

Figure 5
Net Domestic Migration Per 1,000 Residents by U.S. State
2020-2025



Note: Excludes Alaska and Hawaii for scale. Alaska and Hawaii respectively experienced net outdomestic migraiton of -33.0 and -44.2 per 1,000 residents. This calculation uses the average estimated population for 2020 through 2025.
Source: U.S. Census Bureau, State Population Totals, 2020-2025; RIPEC calculations.

The Relationship Between Income Tax Rates and Migration

Interstate migration is driven by a wide range of factors, including job opportunities, cost of living, family ties, and quality of life. As a result, relocation decisions tend to reflect a combination of personal, economic, and geographic considerations rather than any one driver. State tax policy is part of this broader mix.

[17] This pattern is not unique; while 24 states experienced domestic outmigration between 2020 and 2025, only six saw overall population decline: California, Hawaii, Louisiana, Mississippi, New York, and West Virginia. U.S. Census Bureau, State Population Totals, 2020-2025; RIPEC calculations.
[18] Ibid.

While taxes are rarely the sole reason individuals or businesses relocate, evidence suggests taxes influence decisions at the margin, particularly when differences between states are large or when households have greater flexibility in where they live and work. In addition, analyses of Census Bureau and Internal Revenue Service (IRS) migration data indicate that taxpayers are particularly responsive to certain forms of taxation, especially income and property taxes, while consumption taxes such as sales taxes have less impact. Research also suggests that high-income workers and workers in occupations that are more geographically mobile are more responsive to taxes in their location decisions.[19]

Consistent with this broader academic research, migration patterns indicate that tax differentials are one of several factors associated with interstate mobility between 2020 and 2025. This relationship is illustrated in Figure 6, which plots each state's average top marginal income tax rate between 2020 and 2025 against total net domestic migration per 1,000 residents over the same period. This analysis focuses on overall migration patterns rather than isolating higher-income individuals for two reasons. First, there are substantial differences in the income thresholds at which top rates apply across states, making consistent comparisons across income groups difficult. Second, research suggests that migration decisions are not limited to those currently subject to top rates, as households respond to expected future income and broader economic conditions shaped by state tax policy.[20]

Figure 6 shows that states with higher top income tax rates are more likely to experience domestic outmigration, while states with lower top rates are more likely to experience domestic in-migration. A one percentage point increase in the top marginal tax rate is associated with 3.21 fewer net migrants per 1,000 residents, and is statistically significant ($p = 0.010$).[21]

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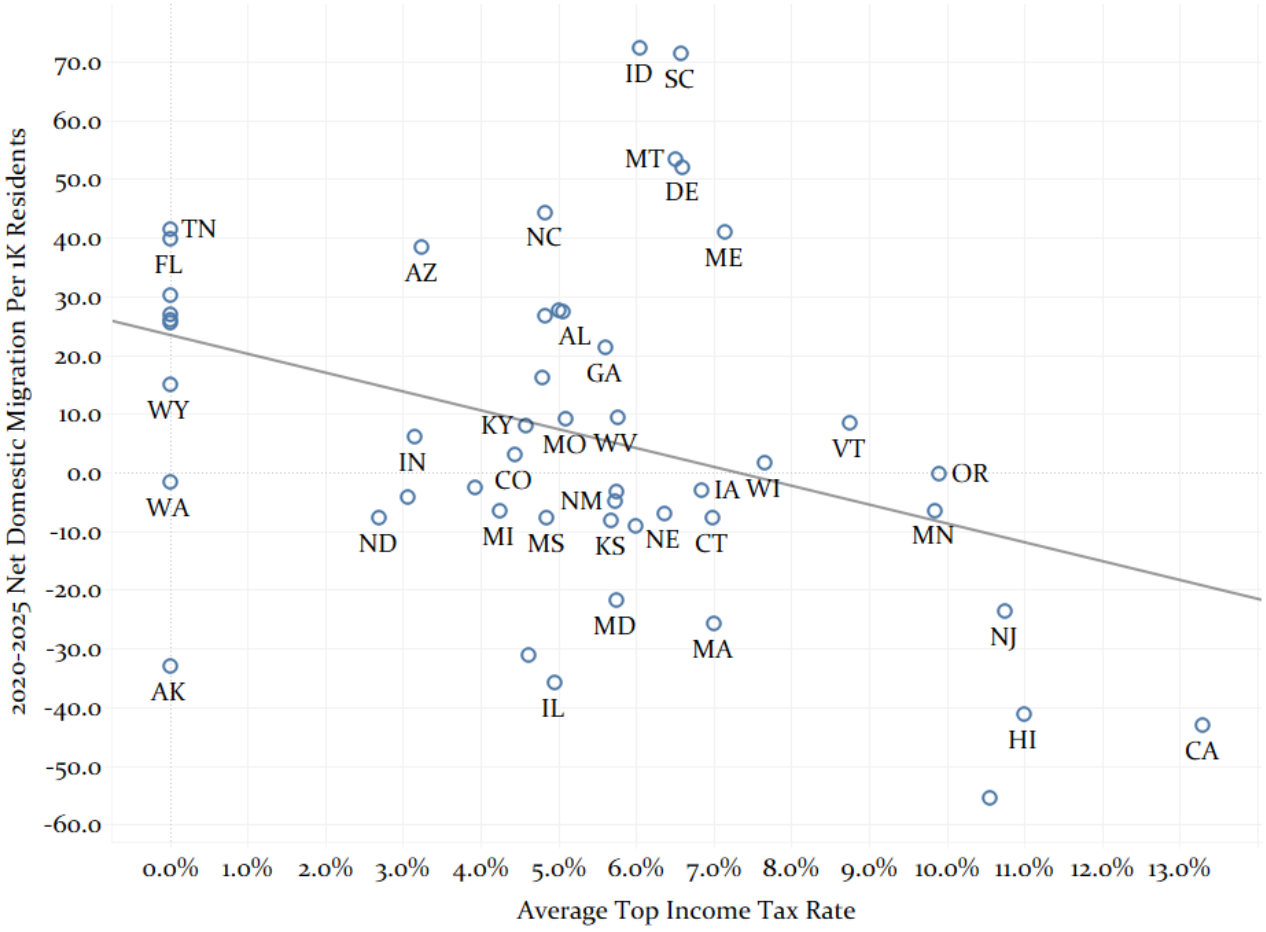
[19] For example, see: Henrik Klevin, "Taxation and Migration: Evidence and Policy Implications," *Journal of Economic Perspectives* vol. 34, no. 2 (Spring 2020): 119-42; Andrey Yukshov, "Taxes and Migration: New Evidence from Academic Research," *Tax Foundation*, March 12, 2024; Andrey Yushkov, "Taxes and Interstate Migration: 2024 Update," Tax Foundation, September 3, 2024; Xavier Giroud and Joshua Rauh, "State Taxation and the Reallocation of Business Activity: Evidence from Establishment-Level Data," *Journal of Political Economy* 2019 Vol. 127(3): 1262-1316; Chris Edwards, "Tax Reform and Interstate Migration," Cato Institute Tax and Budget Bulletin, September 6, 2018; Roger Cohen, Andrew Lai, and Charles Steindel, "State Income Taxes and Interstate Migration," *Business Economics* 2014, vol. 49(3); Anthony Davies and John Pulito, "Tax Rates and Migration," Mercatus Center, George Mason University, August 2011; Mark Rider, "The Effect of Personal Income Tax Rates on Individual and Business Decisions—A Review of the Evidence," International Studies Program, Working Paper 06-15, 2006; William Gentry and R. Glenn Hubbard, "'Success Taxes,' Entrepreneurial Entry, and Innovation," National Bureau of Economic Research 2005, vol. 5; Joshua Rauh and Ryan Shyu, "Behavioral Responses to State Income Taxation of High Earners: Evidence from California," *American Economic Journal: Economic Policy* 16(1): 34–86. There is not scholarly consensus on this issue, with some research refuting the idea that there is a relationship between taxes and migration. See, for instance: Michael Mazerov, "State Taxes Have a Minimal Impact on People's Interstate Moves," Center on Budget and Policy Priorities, August 9, 2023.

[20] Andrey Yukshov, "Taxes and Migration: New Evidence from Academic Research," *Tax Foundation*, March 12, 2024.

[21] The p-value represents the probability that the observed relationship could occur by chance if there were no true relationship between the variables. In social science research, results are generally considered statistically significant when the p-value is below 0.05, though sample size should be considered. A value of 0.010 indicates statistical significance. Jeffrey M. Wooldridge, "Introductory Econometrics: A Modern Approach," (Nashville, TN: Southwestern College Publishing, 1999), 129-136.

Figure 6
Relationship between Average Top Income Tax Rate and Net Domestic Migration Per 1,000 Residents
2020-2025



Note: A top rate of zero reflects that the state does not levy a general income tax. This includes Tennessee and New Hampshire, which imposed a tax exclusively on interest and dividend income until 2021 and 2025, respectively, and Washington, which began levying a tax on capital gains in 2022.Net domestic migration per 1,000 residents was calculated by dividing each state's total five-year domestic migration (2020–2025) by the average of its population estimates over the same period.
Source: U.S. Census Bureau, State Population Totals, 2020-2025; Tax Foundation, Income Tax Rates, 2020- 2025; RIPEC calculations

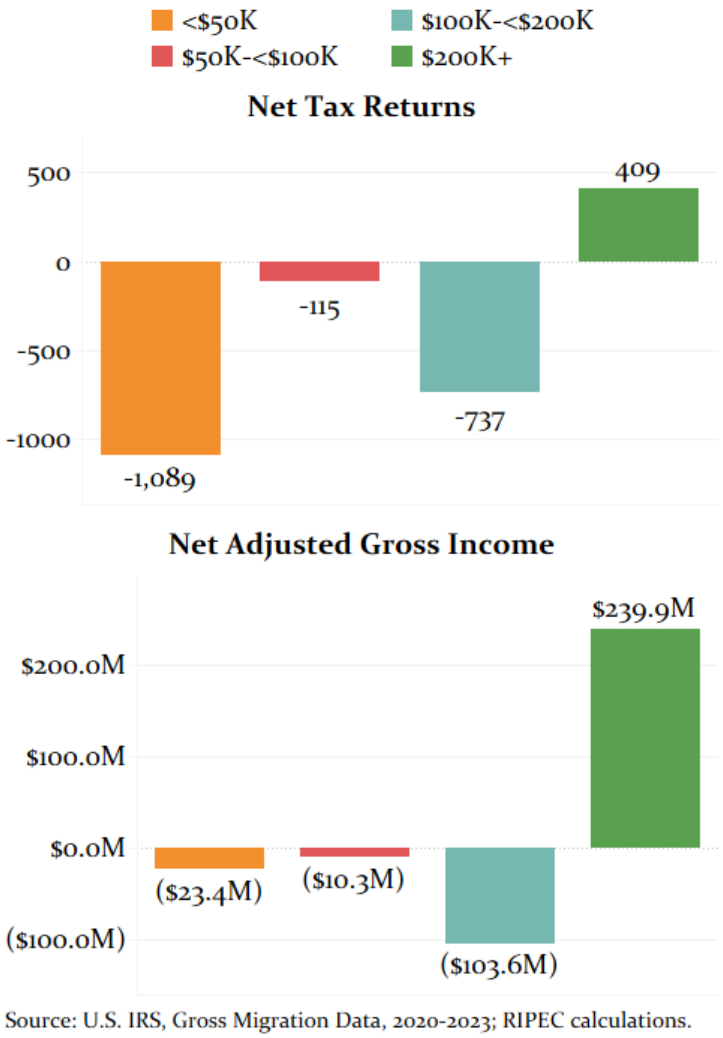
Rhode Island Migration Patterns

While data from the U.S. Census Bureau provide more current estimates of migration flows, IRS data offer more detailed information on movers' characteristics—including income and age—as well as where they are moving to and from, with data available through 2023. These data are commonly used to estimate net migration and associated changes in adjusted gross income (AGI) across states.

Net changes in AGI from domestic migration are based on the reported income of tax filers who have moved out of a given state and the income of tax filers who have moved into a given state. These flows may result from cross-border residential moves, job changes, or remote work arrangements in which income effectively moves with the individual. While these flows indicate underlying economic activity and can affect a state's tax base, they do not necessarily reflect a one-to-one gain or loss of economic output. [22]

With respect to this migration data, the IRS does not provide income breakdowns that allow for the isolation of taxpayers with income above $1.0 million, the group that would be directly affected by the proposed millionaire's tax. As a result, RIPEC's analysis of higher-income taxpayers focuses on those with AGI of $200,000 or more, the highest income threshold available in the dataset.

Figure 7
Rhode Island Net Change in Returns and AGI from Domestic Migration by Income Level
2020-2023



Source: U.S. IRS, Gross Migration Data, 2020-2023; RIPEC calculations.

Net Tax Returns and AGI by Income Level

Between 2020 and 2023, Rhode Island experienced net outmigration of approximately 1,500 tax returns, representing about 5,000 individuals. Despite losing taxpayers, Rhode Island experienced a net positive increase in AGI of approximately $100 million. This divergence between population loss and positive AGI change reflects differences in the income composition of those migrating to and from the state. While Rhode Island experienced net losses of both tax returns and AGI among taxpayers

[22] U.S. IRS, SOI tax states –Migration Data. AGI is a taxpayer's total gross income from sources including wages, salaries, business income, and capital gains, net certain allowable deductions such as retirement account contributions and student loan interest payments.

with AGI below $200,000, this difference was more than offset by net gains among higher-income taxpayers, as shown in Figure 7.

Migrating higher-income taxpayers had a disproportionate effect on AGI changes in Rhode Island, despite representing a relatively small share of migration flows. Taxpayers earning $200,000 or more accounted for eight percent of total tax returns and seven percent of both inbound and outbound migration in 2023. In contrast, lower-income taxpayers had a smaller effect on AGI but were more likely to move across state lines. In 2023, taxpayers with AGI below $50,000, the largest income group, representing 44 percent of all filers, accounted for 49 percent of inbound migration and 50 percent of outbound migration.[23]

Top In- and Outbound States

Figure 8 depicts the top five states from which Rhode Island gained and lost taxpayers between 2020 and 2023 and highlights that Rhode Island's migration flows were highly concentrated among a small set of states, with meaningful fiscal impacts as measured by AGI.

Inbound migration was dominated by nearby high-tax states, with Massachusetts accounting for the largest share by a wide margin, with 4,796 net returns and $546.9 million in associated AGI, followed by New York (1,924 net returns and $318.6 million in associated AGI). Connecticut reflects a mixed picture: Rhode Island experienced the second-largest net outflow of returns to the state (-915) but experienced the third-largest net increase in AGI (+$83.5 million).[24]

Figure 8
Rhode Island Top 5 Inbound and Outbound States
2020-2023

Inbound

	Net Returns	Net AGI ($ Millions)
Massachusetts	4,796	$ 546.9
New York	1,924	$ 318.6
New Jersey	228	$ 37.2
California	214	$ 49.1
Illinois	132	$ 17.4

Outbound

	Net Returns	Net AGI ($ Millions)
Florida	-3,052	$ (395.1)
Connecticut	-915	$ 83.5
North Carolina	-575	$ (42.1)
South Carolina	-530	$ (53.0)
Maine	-469	$ (37.6)

Source: U.S. IRS Migration Data; RIPEC calculations

[23] In addition, IRS data show that younger taxpayers are more likely to move, though taxpayers who are 35 and older still accounted for over 40 percent of Rhode Island's inbound and outbound migration in 2023. U.S. IRS, SOI tax states –Migration Data; RIPEC calculations. This is consistent with national patterns. Justin V. Palarino, "Birth Cohort Geographic Mobility in the United States: 2005-2023," U.S. Census Bureau; April 2025.

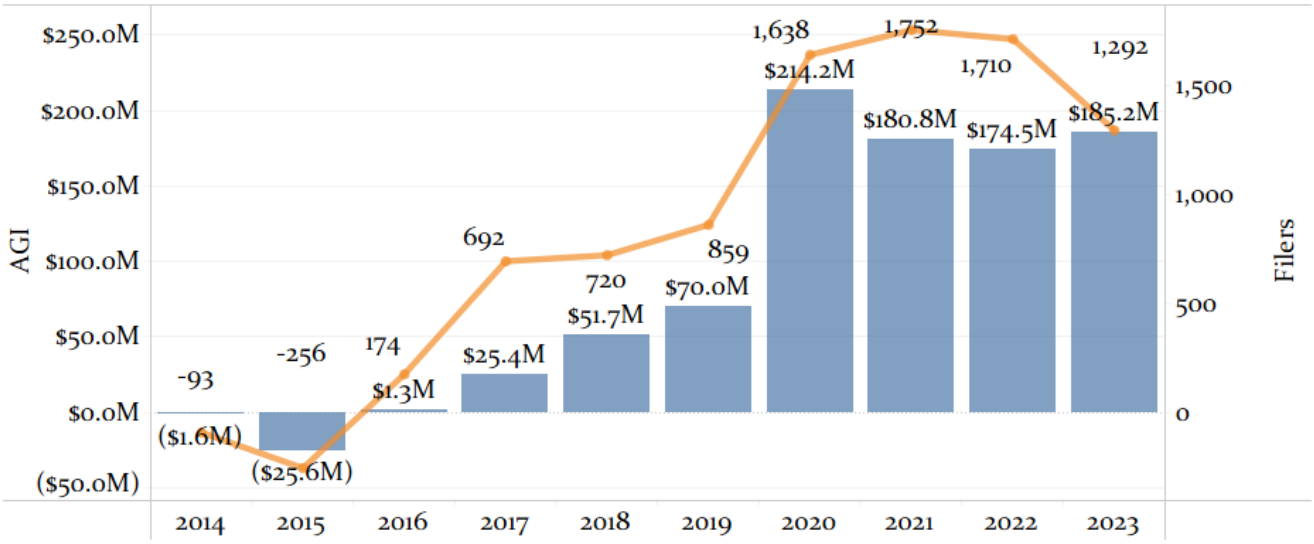
[24] Each of the top five states for inbound migration to Rhode Island between 2020 and 2023 ranked in the top ten nationally for highest total tax revenues per capita in 2023: Massachusetts ranked sixth, New York ranked first, New Jersey ranked fifth, California

Rhode Island's outbound migration was generally concentrated among lower-tax states. Florida, which does not levy an income tax, by far represented the largest destination, gaining 3,052 net returns and $395.1 million in associated AGI from Rhode Islanders moving to that state. North Carolina, South Carolina, and Maine also experienced substantial net inflows of taxpayers and associated AGI from Rhode Island.[25]

Migration From Massachusetts

The recent inflow of taxpayers and associated AGI from Massachusetts is a relatively new trend. Figure 9 shows net migration of tax filers and AGI between Rhode Island and Massachusetts from 2014 to 2023 and indicates that Rhode Island lost both residents and associated AGI to Massachusetts prior to 2016. Both measures then increased year over year, reaching 859 net filers and $70.0 million in AGI in 2019 before jumping in 2020 to 1,638 net filers and $214.2 million in AGI. In the subsequent three years, both remained well above pre-pandemic levels. In 2023—the first year Massachusetts' 4.0 percent surtax on income over $1.0 million took effect—net filers declined from 1,710 to 1,292, but associated AGI increased from $174.5 million to $185.2 million, the highest level on record except for 2020.

Figure 9
Net Migration of Tax Filers and AGI Between Rhode Island and Massachusetts, 2014 - 2023



Source: U.S. IRS, Gross Migration Data, 2014 - 2023; RIPEC calculations

ranked eighth, and Illinois ranked tenth. Connecticut ranked 14th in this measure. RIPEC, "How Rhode Island Compares: State and Local Taxing and Spending, 2025 Edition" October 2025.

[25] Florida and South Carolina ranked in the bottom ten nationally for highest total tax revenues per capita in 2023 (43rd and 47th, respectively). North Carolina ranked in the bottom third (37th). Maine, in contrast, ranked 18th. Ibid.

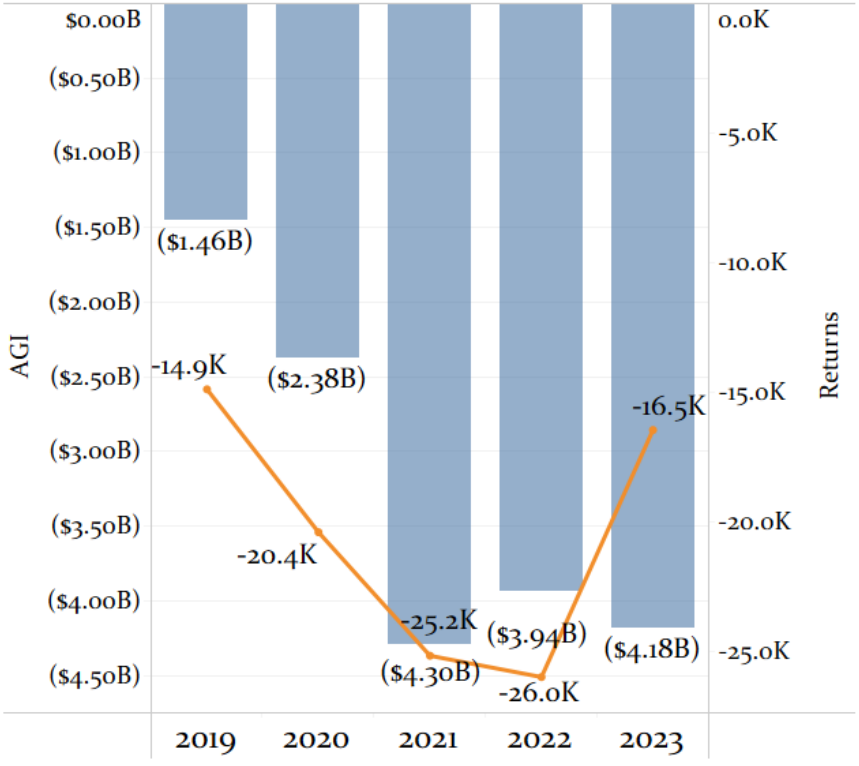
Massachusetts Outmigration: Large Losses in Taxpayers

IRS data reveals that Massachusetts has experienced a large reduction in both taxpayers and associated AGI through domestic outmigration in the last several years, highlighting the fiscal risk associated with higher levels of outmigration.

Net Tax Returns and AGI

Depicted in Figure 10, in terms of both taxpayers and associated AGI, Massachusetts net domestic outmigration has expanded markedly since 2020 and totaled nearly 68,000 fewer filers and $12.4 billion in associated AGI between 2020 and 2023. This trend has likely been influenced by the rise of remote work since the onset of the COVID-19 pandemic, which expanded geographic flexibility, particularly for higher-income and higher-skilled workers whose jobs are more likely to be performed remotely. As recent research has indicated, the rise of remote work has weakened the link between residence and employment and increased the extent to which individuals make location decisions based on the relative cost of living and income tax rates.[26]

Figure 10
Massachusetts Net Change in Returns and AGI from Domestic Migration
2019 - 2023



Source: U.S. IRS, Gross Migration Data, 2018-2023; RIPEC calculations

In 2023, the number of outbound filers declined from approximately 26,000 to over 16,000, while the associated loss in AGI increased from $3.94

[26] David R. Argawal and Jan K. Brueckner, "Taxes and telework: The impacts of state income taxes in a work-from-home economy," *Journal of Urban Economics*, vol. 145.

billion to $4.18 billion.[27] Adjusted for differences in personal income, this represented the second-largest net AGI outflow among U.S. states that year, behind only Illinois.[28]

Net Returns and AGI by Income Level

In 2023, Massachusetts experienced a decline in the number of filers leaving the state year over year alongside an increase in associated AGI loss, reflecting a shift toward higher-income taxpayers among those departing. As shown in Figure 11, taxpayers with AGI of $200,000 or more accounted for 24 percent of net outmigration in returns (3,965 returns), and 70 percent of the associated AGI loss ($2.93 billion). This represents a notable increase from the previous year, when this group accounted for 17 percent of net returns and 55 percent of AGI outflow. In nominal terms, the associated AGI loss attributable to these higher-income taxpayers increased by $779.4 million, despite a drop of 427 in the number of returns from this income group.[29]

Figure 11
Massachusetts Declines in Tax Returns and AGI from Domestic Migration by Income Level
2022 vs. 2023

Source: IRS Gross Migration Data, 2021-2023; RIPEC calculations

Top Outbound States

Figure 12 depicts the most common destination states for taxpayers leaving Massachusetts in 2023. It shows that, by a wide margin, Florida and New Hampshire—both of which have no state income tax—were the most common destinations for taxpayers leaving Massachusetts, with each state recording a net increase of over 4,000 taxpayers for that year. Reflecting the movement of a substantial share of income, the associated AGI increase for Florida from Massachusetts totaled

[27] Massachusetts' income levels are adjusted for inflation. Currently, the 9.0 percent rate applies to income over $1.1 million. Massachusetts Dept. of Revenue, "Massachusetts 4% Surtax on Taxable Income," updated Dec. 29, 2025. Massachusetts' surtax came into effect on January 1, 2023, after receiving approval from voters in a November 2022 referendum. IRS 2022–2023 data reflect address changes between tax filings in 2023 and 2024, capturing moves that occurred primarily during calendar year 2023. U.S. IRS, SOI tax states –Migration Data.
[28] Ibid; RIPEC calculations.
[29] Ibid.

$1.9 billion, roughly 45 percent of the overall net change in AGI from domestic migration from Massachusetts that year. Rhode Island experienced the third-highest net inflow of returns from Massachusetts, but the fifth-highest increase in associated AGI, behind Maine and South Carolina.

Figure 12
Massachusetts Top 5 Outbound States
2023

State	Net Returns	Net AGI ($ Million)
Florida	-4,101	$ (1,875.3)
New Hampshire	-4,009	$ (870.6)
Rhode Island	-1,292	$ (185.2)
South Carolina	-1,074	$ (196.0)
Maine	-1,101	$ (204.7)

Source: U.S. IRS Migration Data; RIPEC calculations

RIPEC Comments

Governor McKee's proposal to enact a so-called "millionaire's tax" represents a critical inflection point for Rhode Island. It comes at a time when state income tax policy is diverging, with 21 states reducing income tax rates while only four increased them between tax years 2020 and 2026. At the same time, the distribution of state tax structures has shifted away from mid-range rates, with the number of states with top rates between 5.0 percent and 7.0 percent falling from 21 to 12, and the number of states with top rates below 5.0 percent growing from ten to 19. This hollowing out of the middle range has increased the differences in tax competitiveness among states. If the millionaire's tax were adopted, Rhode Island would clearly align itself with the higher-tax group of states, joining a small number of states that have moved in this direction, including neighboring Massachusetts.

This shift carries significant risk because it could reduce Rhode Island's ability to retain and attract businesses and residents—particularly higher-income households that account for a disproportionate share of economic activity and tax revenues. In 2023, 55 percent of Rhode Island income tax revenue was generated by seven percent of households earning $200,000 or more.

Research suggests that, while people migrate for a range of reasons, taxes matter, particularly for higher-income and more mobile households, a group that has expanded with the rise of remote work. RIPEC's analysis of the relationship between average top marginal state income tax rates and net domestic migration from 2020 to 2025 reaches the same conclusion, identifying a statistically significant association between higher tax rates and greater outmigration.

Rhode Island is particularly exposed to these risks given that it is already experiencing net domestic outmigration; between 2020 and 2025, the state saw a net loss of over 10,000 residents through

domestic migration, ranking tenth highest nationally on a per capita basis. In New England, only Massachusetts ranked higher (seventh). IRS data further show that between 2020 and 2023, Rhode Island experienced a net loss of roughly 1,500 tax returns. However, Rhode Island also saw a net gain of about $100 million in AGI in this period, reflecting offsetting revenue gains among higher-income filers (those earning $200,000 or more).

Rhode Island has benefited from inflows of both higher earners and taxpayers from Massachusetts, which has experienced elevated levels of outmigration since 2020. Likely reflecting both the rise of remote work and a high cost of living, Massachusetts' outmigration predates its millionaire's tax. However, in the year after the tax was enacted, outflows were more concentrated among higher-income taxpayers ($200,000 or more), who accounted for 24 percent of net returns and 70 percent of associated AGI loss. Florida and New Hampshire, which do not have income taxes, were the primary destinations of those leaving Massachusetts.

Given these findings, RIPEC offers the following recommendations to state policymakers:

The proposed increase in individual income tax rates on high earners should be rejected. Evidence shows higher-tax states experience greater outmigration, particularly among higher-income taxpayers, which could offset revenue gains. Over the past few years, Rhode Island has benefitted substantially from taxpayers and tax dollars leaving Massachusetts. Given the experience of Massachusetts, it would be particularly risky to adopt a top income tax rate that could threaten this positive migration trend.

Instead, policymakers should focus on improving Rhode Island's tax competitiveness to support long-term economic growth. Rhode Island currently ranks 40th on the Tax Foundation's State Tax Competitiveness Index (11th lowest), reflecting a relatively weak competitive standing.[30] Tax reforms, including to the income tax, would better align Rhode Island with its peers and improve its position.

More broadly, policymakers should prioritize policies that support economic growth. Across most indicators of economic prosperity and output, Rhode Island has lagged the U.S. over the past decade.[31] Sustained revenue growth will depend on policies that increase incomes, including more competitive taxes, an improved regulatory environment, and targeted investments in infrastructure and education to support long-term development.

[30] Tax Foundation, 2026 State Tax Competitiveness Index.
[31] RIPEC, "Rhode Island's Economic Prosperity Scorecard," April 2026.