



Testimony from John Simmons, President of the Rhode Island Business Coalition
Presented to the House Committee on Small Business

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Thank you, Chairwoman Shallcross Smith and members of the House Committee on Small Business for the opportunity to present testimony on the challenges facing the small business community and the impact legislation has on the business environment in Rhode Island. Chairwoman, congratulations on your appointment to lead this important committee. My name is John Simmons, and I am President of the Rhode Island Business Coalition.

Established in 2013, the Rhode Island Business Coalition consists of a diverse group of 22 business organizations and industry associations, representing more than 6,000 businesses that employ 230,000 people within 50 industries in Rhode Island. Our mission is to identify and advance state public policies that improve Rhode Island's economic competitiveness and overall business climate.

I will approach the subject matter today from a macro perspective and then engage in a more detailed discussion of the impact legislation has on the business climate in our state, particularly on small businesses. While I will discuss some of the challenges facing the state's business community, I will also provide initiatives the Coalition is advocating for improving the business climate in Rhode Island.

To provide a basic understanding of Rhode Island's cost of doing business and tax position I would like to review various measures of the business climate in the state by national firms that provide fifty state comparisons. These are important as they discuss what other organizations think about our state and are used by companies to determine relative competitiveness of our state. Such fifty state comparisons are not the only analysis that is done by business, but it is a way of measuring our state.

The overall business climate is used to describe the relative ease at which a business can form, thrive, or expand in a city, state, or other geographic location. Measures of business climate include items such as the cost of doing business, regulatory environment, infrastructure, and access to markets, labor, and capital—conditions that business leaders routinely assess, and which ultimately affect economic growth.¹ The relative weight placed on various components of a business climate may vary significantly depending on the individual business or industry.

¹ See the literature review in, Janelle Fritts, Jared Walczak, Abir Mandal, Katherine Loughead, [2026 State Tax Competitiveness Index | Full Study](#), Tax Foundation, October 2025.

However, some areas of the United States have clear advantages for economic activity over others, and it is possible to measure on a broader scale an area's business climate.

Rhode Island's Lagging Business Climate

Based on rankings by several organizations and publications, which have developed indexes that compare the relative business climate of the fifty U.S. states, Rhode Island currently does not have a high-performing business climate. Collectively, these indexes show that Rhode Island ranks among the bottom—and in one instance, at the very bottom—of states.

WalletHub's 2026 Best and Worst States to Start a Business ranked Rhode Island last in the nation. CNBC's America's Top States for Business for 2025 ranked the state 46th (4th lowest). These reports cite Rhode Island's poor business environment, the high cost of doing business, lack of business friendliness, and slow economic growth as reasons for the Ocean State's dismal rankings.

Rhode Island businesses are burdened by high taxes. The state currently ranks 40th (12th lowest) among states overall on the Tax Foundation's 2026 State Tax Competitiveness Index. According to the Tax Foundation rankings, the Ocean State ranks in the bottom third of states for its corporate income taxes (32nd) and property taxes (43rd) and ranks third worst in the country for unemployment insurance taxes (48th).

While the state's tax competitiveness is relatively poor compared to other U.S. states, Rhode Island currently enjoys a competitive tax advantage over its closest neighbors, Connecticut and Massachusetts (the Tax Foundation ranks these states 47th and 43rd respectively).

Rhode Island's advantage is primarily due to the relative levels of income taxation in the three states. While Rhode Island's individual income tax ranks in the bottom half of states, it ranks more favorably than both Connecticut (46th) and Massachusetts (42nd). Rhode Island's competitive advantage on taxes is significant given that states are typically in closest competition with neighboring jurisdictions. Moreover, due to its small size, Rhode Island faces acute competition between Connecticut and Massachusetts.

Job creation in Rhode Island is also stifled by burdensome regulations, with one national think tank calling the Ocean State "anti-employment". Rhode Island ranks in the bottom ten states in terms of regulatory freedom by the Cato Institute, with the state's ranking driven down by its overregulated labor market, which is ranked 48th in the country (2nd worst). Cato cites the state's high minimum wage, lack of a right-to-work law, and stricter-than-federal anti-discrimination laws as examples of regulations that make it more difficult to do business in Rhode Island.

These analyses give us areas to consider as we look to improve the ability for businesses to grow and thrive in Rhode Island. This macro view needs to also include specific issues of cost and regulatory hurdles in more detail.

Let us look at several broad areas of competitiveness. Taxes and the structure of taxes are a key area for businesses when selecting a state to relocate or to maintain a working presence.

From 2003 to 2025, the Tax Foundation, a think tank based in Washington D.C., annually issued its Business Tax Climate Index, comparing all 50 states and analyzing each state's business tax climate. This analysis measures not just the burden of taxes but the impact the tax has on businesses.

The overall competitiveness of a state has to be viewed in its totality as well as in the individual tax components. Each adds to the cost of doing business in the state in different ways. For instance, Rhode Island has a high number of Limited Liability Company's (LLC's) which are pass-through entities for tax purposes. The LLC pays a corporate minimum tax of \$400 and then the individual pays income tax on the pass-through income. Other taxes are paid by the individual including Social Security and other wage based taxes.

State imposed taxes are not a small cost item for businesses. There are other taxes and costs which impact businesses and which are paid by the employer, that are significant and are considered higher in Rhode Island than elsewhere. Other such costs and related taxes include unemployment insurance, utility costs, workers' compensation, gasoline and diesel fuel, healthcare costs and property taxes. These costs all factor into the competitiveness of a state and impact the cost of doing business. These costs are increasing annually and have a real effect upon the profitability of a business.

Members of the Coalition routinely hear from their members about the need to reduce the burden on businesses including what are often annual changes to the employer/employee relationship that are particularly burdensome for our state's smaller employers.

Let us look at specific examples of costs and how legislation over time has impacted the rankings and the actual cost of doing business in Rhode Island.

Unemployment Insurance

Rhode Island's unemployment insurance (UI) tax system ranks poorly on the Tax Foundation's Index for several reasons, but first among them are the relatively generous benefits provided by the Ocean State at the expense of the employer community.²

As of 2022, Rhode Island's maximum benefit levels ranked 3rd highest in New England and 4th highest nationally. For most employers, the UI taxable wage base will be \$30,800 in 2026, an increase of \$1,000 or 3.4 percent from the 2025 taxable wage base of \$29,800. For employers at the highest tax rate the UI taxable wage base is set \$1,500 higher and will be \$32,300 in 2026.

While the General Assembly has appropriated additional funds to assist in reducing the cost burden, the cost for unemployment insurance has continued to increase.

Workers' Compensation

Workers' compensation is another area where the state has a high premium ranking. In 2022, Rhode Island had the 11th highest workers' compensation premium ranking by state. Thanks to

² Rhode Island's score in the UI tax category is also negatively affected by its application of a surtax for the purposes of funding job development programs, its benefit charging method, and its method for determining experience rating. Janelle Fritts, Jared Walczak, Abir Mandal, Katherine Loughhead, [2026 State Tax Competitiveness Index](#), Tax Foundation, October 2025.

the General Assembly the workers' compensation fund was exempted from the indirect cost recovery. Now all premiums and employer assessments will go directly to funding the workers' compensation system.

It is important to note that Rhode Island employers, through this assessment, fund the Rhode Island workers' compensation system in its entirety. No tax dollars are involved. This includes costs for the Department of Business Regulation (DBR) to regulate the insurers, the court system to adjudicate "comp" claims as well as funding to the Department of Labor and Training (DLT) for training, handling complaints, and other costs.

Health Insurance

According to the Office of Health Insurance Commissioner (OHIC), "From 2001 to 2022, the average employer-sponsored family premium in Rhode Island increased from \$8,023 to \$22,955." This represents on average an 8.9% annual increase. "Economics literature suggests that the growth of employer-sponsored health insurance premiums crowds out employee wage growth, in addition to shifting costs directly onto employees and their families. This means that health care spending growth forces tradeoffs for working Rhode Islanders and their families because they rely on their wages to pay for housing, food, utilities, childcare, transportation, and to build their personal wealth."

For 2026 the OHIC approved the following increases in premiums for health insurance:

- 21% for the individual market
- 17.6% for the small group market
- 19.3% for the large group market

Over 170,000 Rhode Islanders will be impacted by these rate changes.

According to the most recent data from the National Association of Insurance Commissioners (NAIC), state taxes, fees, and assessments on Rhode Island's commercial health insurance premiums are the fourth highest among all states. Only Colorado, New Mexico and New York pay more. It should be noted that the cost of the Rhode Island Vaccine Assessment Program is included in the NAIC data." (Rhode Island Vaccine Assessment Program is also included in the indirect reimbursement fund)

Each year the legislature considers and acts upon mandated health insurance benefits that must be included in any fully-insured health insurance plan in the state. The state has one of the largest lists of mandated benefits in the nation. Each one of these mandated benefits as well as limitations on prior approvals or deductibles have cost implications that should be studied prior to their being enacted. The Coalition has advocated for a cost-benefit study of mandated health benefits to analyze their health efficacy and impact on premiums.

Gasoline and Diesel Fuel

Prices for gasoline and diesel vary by state as do the tax and additional charges generated by each state. As of July 2025, the state taxes levied on gasoline purchases in Rhode Island is the highest rate in New England at 40 cents per gallon and the 10th highest in the nation. The diesel

tax in Rhode Island is the second highest after Connecticut in New England and 15th highest nationally.

Utilities

According to the US Energy Information Administration as of September 2025, Rhode Island had the highest commercial rate for natural gas in New England and 2nd highest in the country at \$22.11 per thousand cubic feet.

On a kWh basis Rhode Island had the largest increase in commercial electric pricing between 2023 and 2024 when the rate went from 19.27 to 22.97 and was the second highest rate in the nation behind Hawaii.

The makeup of the current billing according to Channel 12 WPRI includes:

“The delivery side of the electric bill is a mix of company earnings, taxes, distribution and transmission costs, along with clean-energy programs that are mandated by the state.”

The state-mandated costs typically make up 28% of delivery costs and roughly 14% of the total bill, according to a Target 12 analysis of sample bills and actual bills.

I have tried to present a small snapshot of the variation of cost factors that affect businesses in Rhode Island. Most of these illustrations are within the state’s control and influence. Individually, and collectively, they are a barrier to starting a business or staying viable.

I have not discussed all of the areas to which businesses are at risk. The usual categories which impact businesses such as labor force, capital, cash flow, distribution of products.

I would like to spend a few minutes on the current legislative actions that come before you for review and analysis. I will discuss a set of Business Coalition principles that have been generated from the statewide comparison and competitiveness.

Business Coalition Legislative Priorities

To improve the business climate, Rhode Island must lower the cost of doing business, improve its regulatory environment, and help to increase access to markets, labor, and capital.

Affordability: Confronting the Drivers of Escalating Costs

True economic growth is unattainable if the baseline costs of living and doing business in Rhode Island continue to outpace those in the region and across the country. We must pursue a multi-front strategy that focuses on the removal of artificial cost drivers across the most critical sectors of our economy to improve our regional and national standing.

- **Manage the Act on Climate Transition:** While pursuing carbon reduction goals, the state must ensure the implementation of the Act on Climate does not result in unsustainable utility rate hikes for ratepayers and small businesses.
- **Ensure Predictability in Minimum Wage Policy:** With the minimum wage reaching \$16.00 per hour on January 1, 2026, and scheduled to hit \$17.00 in 2027, Rhode Island is becoming a regional outlier. We urge the General Assembly to pause further increases beyond the current schedule to allow for a comprehensive study on the impact these mandates have on small business viability and regional competitiveness.
- **Expand Housing Supply to Lower Costs:** We support efforts to accelerate housing production and modernize building codes to make it more affordable for the workforce to live where they work.
- **Contain Healthcare Premiums:** The cost of healthcare coverage is directly affected by the number of mandated benefits, and we advocate for policies that address underlying price drivers rather than adding new unfunded mandates that increase premiums.

Tax Competitiveness: Improving Rhode Island's Position

Rhode Island must maintain a tax environment that encourages local reinvestment and allows family-owned enterprises to thrive through multiple generations. High taxes on property and corporate income currently place us in the bottom third of states nationally, making regional competitiveness a primary goal for the General Assembly.

- **Ensure Business Continuity:** We support exploring increases to the estate tax exemption to align Rhode Island with regional and national norms, ensuring that family businesses and farms can be passed to the next generation without being forced into liquidation to meet tax liabilities.
- **Maintain Our Regional Competitive Edge:** It is vital to preserve Rhode Island's current individual income tax advantage over neighboring states like Massachusetts and Connecticut to prevent the flight of wealth and talent.
- **Phase Out the Tangible Personal Property Tax:** The tangible personal property tax is a tax on the equipment, machinery, and furniture businesses use to operate, and it is frequently cited as one of the most administratively burdensome taxes for small employers. We advocate for further increasing the tangible tax exemption to lift more small businesses out of the tax entirely and simplifying the reporting process to reduce the hours business owners spend on compliance paperwork.
- **Lower Fixed Costs for Small Employers:** The state should move to eliminate the annual corporate minimum tax of \$400, which imposes an unreasonable burden on small businesses, especially during years with little or no profit.

- **Reform Unemployment Insurance:** Rhode Island's Unemployment Insurance tax system is currently one of the most burdensome in the nation, and we support reforms that balance benefit levels with the costs borne by employers.
- **Modernize Net Operating Loss Provisions:** Net Operating Loss provisions allow businesses to use current financial losses to offset future tax liabilities, providing a vital cushion for companies that are expanding or recovering from economic downturns. While Rhode Island recently improved its competitiveness by extending this carryforward period to twenty years, the state must continue to align its tax code with regional neighbors to remain an attractive destination for business expansion.

Workforce Development: Modernizing and Strengthening the Talent Pipeline

A dynamic economy requires a workforce that is prepared for the high-technology and specialized industries currently fueling our regional growth. We must benchmark our educational outcomes against the nation to ensure our high per-pupil spending translates into measurable student success in reading and mathematics.

- **Maintain and Broaden High Educational Standards:** A high-performing economy requires an education system where schools and administrators are held accountable for student outcomes. We support maintaining rigorous student testing as a baseline for proficiency but also advocate for the statewide adoption of high-quality curricula and materials to ensure that high per-pupil spending translates into measurable success in reading and mathematics.
- **Address Chronic Absenteeism:** With roughly one-quarter of Rhode Island students chronically absent, the state must support stronger attendance policies to improve graduation rates and long-term workforce readiness.
- **Expand Career and Technical Education:** We believe in creating modern opportunities for career and technical training and industry-aligned curricula that prepare students for careers in the life sciences, technology, and advanced manufacturing sectors.
- **Invest in Evidence-Based Instruction:** Teachers need access to high-quality professional development to effectively implement curricula that meet the challenges of the current job market.

Regulatory Environment: Creating a Culture of Efficiency and Innovation

Modernizing Rhode Island's regulatory culture is essential to shedding our reputation as a difficult place to start and operate a business. The state must move toward a system where rules are simplified, permits are predictable, and innovation is encouraged through pragmatic oversight rather than rigid mandates.

- **Streamline Permitting and Oversight:** We advocate for reducing the number of rules imposed on businesses and focusing regulatory efforts on areas of highest potential risk to public safety or the environment.
- **Protect Workplace Flexibility:** We oppose the introduction of vague or redundant labor regulations that duplicate existing protections under the federal Occupational Safety and Health Administration.
- **Oppose Burdensome Employer Mandates:** The state should reject policies like the Workplace Psychological Safety Act and broad bans on non-compete agreements that create legal uncertainty and discourage investment.
- **Responsible Adoption of Emerging Technology:** Rhode Island should encourage a thoughtful framework for artificial intelligence that prioritizes safety and ethics without stifling the scientific and operational discoveries that drive efficiency.

Infrastructure and Connectivity: Strengthening the State's Foundation.

A high-performing business climate requires modern physical and digital infrastructure to connect Rhode Island to the global marketplace. We must prioritize long-term investments that ensure our state is prepared for the demands of the 21st-century economy.

- **Improve Physical Infrastructure:** The state must address its lagging infrastructure rankings by focusing on the repair and modernization of roads and bridges. Safe and efficient transportation networks are essential for the movement of goods and the reliability of the workforce.
- **Expand Digital Connectivity:** We support initiatives to enhance broadband access across the state, ensuring that businesses in every community have the high-speed connectivity required for modern operations.
- **Ensure Regulatory Consistency for Utilities:** Infrastructure investments by utilities should be subject to rigorous oversight to ensure they are necessary, cost-effective, and aligned with the state's long-term economic goals.