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Testimony of
Christopher Carlozzi, NFIB State Director
In Opposition to House Bill No. 7338
An Act Relating to Taxation – Personal Income Tax
Before the House Committee on Finance
May 2, 2024

Chairman Abney and Members of the House Committee on Finance:

My name is Christopher Carlozzi. I am the Rhode Island State Director for NFIB. A non-profit, non-partisan organization, NFIB is the nation's and our state's largest small business advocacy group. In Rhode Island, NFIB represents hundreds of small and independent business owners involved in all types of industry, including manufacturing, retail, wholesale, service, and agriculture. The average NFIB member has five employees and annual gross revenues of about \$450,000. NFIB represents the small Main Street business owners from throughout Rhode Island. On behalf of those small and independent business employers, I urge you to oppose House Bill No. 7338, relative to a new 3% income tax surcharge on personal income over \$1 million.

The newly proposed surtax is an income tax increase on some small business owners. The vast majority of small businesses are organized as sole proprietorships, partnerships, or Subchapter S corporations. As such, small business owners file their income taxes as individuals. In Rhode Island, a small business state, most of the taxpayers directly impacted by this tax will be small business owners. Since small businesses create two-thirds or more of the new jobs in Rhode Island every year, this proposal would tax the job creators and reduce the one thing Rhode Island's economy needs – jobs.

House Bill No. 7338 would be a direct tax increase on certain Rhode Island small businesses and could have a devastating economic impact on job growth. Small businesses that may sell assets or land worth over one million dollars will be taxed at a higher rate. A business owner who organizes as a pass-through entity that decides to sell their small business and retire will be unfairly taxed at a higher rate. For a recent example of taxing residents and businesses right out of state look to our neighbors in Massachusetts. Voters recently approved a 4% surtax on income over \$1 million and that state is already experiencing a negative impact. Aside from residents and businesses leaving, Massachusetts' April 2023 revenue collections were more than \$2 billion below benchmarks and continues to plummet.

On behalf of the small business community in Rhode Island, I urge you to oppose House Bill No. 7338. Thank you.