

Rhode Island Business Coalition

Who we are

- Coalition of 20 trade associations and chambers
- Representing over 50 industry sectors
- Representing over 6,000 employers
- Representing over 230.000 employees



National Competitive comparisons

- Tax Foundation
- CNBC
- Milken
- WalletHub
- Forbes

National comparisons of business climate

Figure 1
Measuring Rhode Island's Business Climate

Index/Ranking	RI Rank	Organization/ Publication	Year
State Tax Competitiveness Index	39	Tax Foundation	2025
Best and Worst States to Start a Business	50	WalletHub	2025
America's Top States for Business	44	CNBC	2024
Best States to Start a Small Business	23	Forbes	2024
Best Performing Cities	182 of 200 (Providence-Warwick, RI-MA)	Milken Institute	2025

Summary of 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 2025 Best and Worst States to Start a Business [ranked](#) Rhode Island last in the nation. CNBC’s America’s Top States for Business for 2024 [ranked](#) the state 44th (7th 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. Rhode Island currently [ranks](#) 39th (12th lowest) among states overall on the Tax Foundation’s 2025 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 (35th) and property taxes (37th) and ranks third worst in the country for unemployment insurance taxes (48th).
- 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.

CNBC rankings

Ranking

Figure 9
CNBC's America's Top States for Business, 2024

	CT	ME	MA	NH	RI	VT
Overall	32	42	38	41	44	37
Infrastructure	29	49	44	48	32	38
Workforce	20	46	38	24	22	41
Economy	39	42	40	48	42	41
Quality of Life	9	2	9	9	15	1
Cost of Doing Business	43	29	49	36	46	37
Technology and Innovation	25	34	3	35	23	33
Business Friendliness	39	37	40	9	45	28
Education	4	14	2	6	43	17
Access to Capital	22	40	9	36	39	44
Cost of Living	34	27	48	34	42	43

Points to consider

- Cost of doing business
- Business Friendliness
- We have strengths but are they over shadowed

WalletHub Starting a business

Starting a business

Figure 8

WalletHub, Best and Worst States to Start A Business, 2025

	CT	ME	MA	NH	RI	VT
Overall	49	23	33	45	50	42
Business Environment	49	14	29	38	50	42
Access to Resources	13	44	4	45	40	42
Business Costs	46	25	44	36	40	33

Points to consider

- WalletHub's Best and Worst States to Start a Business includes 25 metrics weighted across three categories:
 - 1) Business environment (50/100 pts): including average length of work week, startups per capita, growth of average business revenues, and the five-year business survival rate.
 - 2) Access to resources (25/100 pts): including financing accessibility, venture investment per capita, and share of college-educated population.
 - 3) Business costs (25/100 pts): including labor costs, office-space affordability, and total effective state and local tax rates.

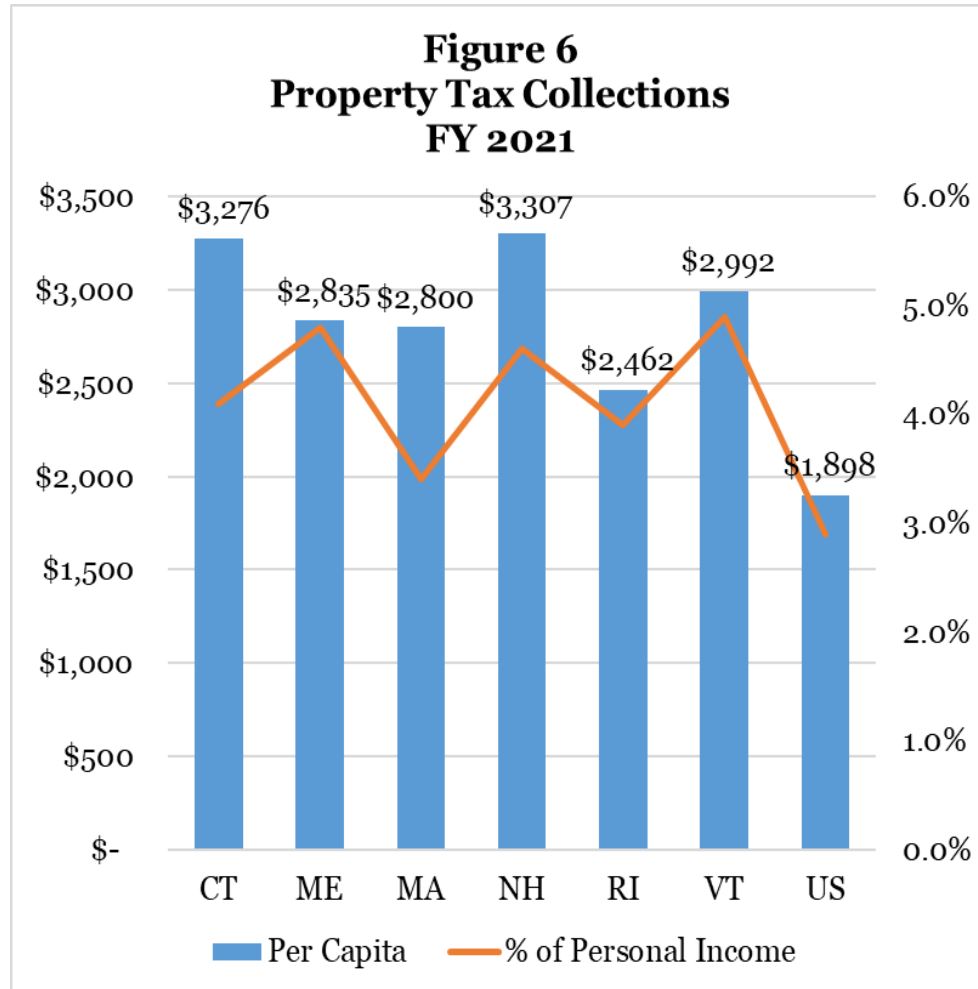
Tax Foundation Tax competitiveness

Figure 2
State Tax Competitiveness Index Ranking, 2025

	CT	ME	MA	NH	RI	VT
Overall	47	29	41	6	39	43
Corporate Income Taxes	31	40	33	32	35	36
Individual Income Taxes	47	22	41	12	30	43
Sales Taxes	21	8	20	1	26	29
Property and Wealth Taxes	50	48	46	39	37	49
Unemployment Insurance Taxes	40	19	47	27	48	8

- This analysis measures not just the burden of taxes but the impact the tax has on businesses.
- The overall competitiveness has to be viewed in its totality as well as 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 LLC's which are pass thru entities for tax purposes. The LLC pays a corporate minimum tax of \$400 and then the individual pays income tax on the pass thru income.
- Rhode Island currently enjoys a competitive tax advantage over its closest neighbors, [Connecticut](#) and [Massachusetts](#) (the Tax Foundation ranks these states 47th and 41st respectively). This advantage is primarily due to the relative levels of income taxation in the three states.

Property Tax



- At the same time, Figure 6 does not capture the property tax burden of businesses, and Rhode Island's cities tend to apply particularly high rates on commercial property. In fact, a recent study of the property tax burden in the 50 largest cities in each state found that Providence's effective commercial rate was the third highest nationwide, outpaced by only Detroit and Chicago, and far higher than neighboring Boston. Lincoln Institute of Land Policy, [50 State Property Tax Comparison Study](#), For Taxes Paid in 2023, July 2024.

Specific examples of cost comparisons

- Unemployment Insurance
- Worker's Comp
- Healthcare
- Gasoline and Diesel
- Utilities

Unemployment

- [Rhode Island's unemployment insurance \(UI\) tax system ranks poorly on the Tax Foundation's Index for several reasons, but chief among them are the relatively generous benefits provided by the Ocean State at cost to its employers.](#) As of 2022, Rhode Island's maximum benefit levels ranked 3rd highest in New England and 4th highest nationally. Figure 7 depicts maximum benefit for the New England states and the U.S. median for 2022. Figure 7 does not factor in maximum dependents allowance, which increases the maximum in Rhode Island to \$21,476 (for 5+ dependents), and increases the Ocean State's ranking for highest maximum benefits nationwide from 10th highest to 4th highest. Whether considering dependents' allowance or not, Massachusetts has, by far, the largest maximum benefit nationwide.
- 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. Andrey Yushkov, Jared Walczak, and Katherine Loughhead, [2025 State Tax Competitiveness Index](#), Tax Foundation, October 2024.
- Janelle Fritts, [Ranking Unemployment Insurance Taxes by State](#), Tax Foundation, 2022.

Workers' Compensation

- Workers' compensation is another area where the state has a high premium ranking. For 2022 Rhode Island had the 11th highest in worker's compensation premium ranking by state. In addition, the premium assessment rate was just changed to 6.5%. This is also one of the highest rankings in the nation. The assessment will be changed if pending legislation increasing the indirect state charge is increased from 10% to 15%. Through workers' compensation the employer pays all the cost including the cost of DBR to regulate the insurer, the court system to adjudicate "comp" claims and funding to the DLT for training, handling complaints and other costs.
- Labor and the business community have sought to eliminate the worker's comp fund from the indirect fund charges. Within the cost of workers' compensation the employer community pays for the insurance premium tax, all state administrative costs, and funds that go into the general fund before it pays the actual cost of benefits including healthcare.

Healthcare

- According to the Office of Health Insurance Commissioner “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
- For 2025 the Office of the Health Commissioner approved the following increases in premiums for health insurance:
 - 7.8% for the individual market
 - 12.4% for the small group market
 - 11.2% for the large group market

Healthcare cost

- According to the Rhode Island Business Group on Health “State taxes, fees, and assessments. According to the most recent data show that state taxes, fees, and assessments on Rhode Island’s commercial health insurance premiums are the fourth highest among all states, according to the National Association of Insurance Commissioners (NAIC). 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 benefits. 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 considered. There needs to be a better way to make changes to the healthcare benefit mandates.

Gasoline and Diesel Fuel

- Prices for gasoline and diesel vary by state as do the tax and additional charges generated by each state. The current state tax as of January 2025 levied on gasoline purchases in Rhode Island is the highest rate in New England at 38.12 and the eleven highest in the nation. The combined state and federal tax in Rhode Island is a total of 56.52.
- Diesel tax in Rhode Island is the second highest after Connecticut in New England and fifteen highest nationally at 38.12.

Utilities

- Natural gas prices according to US Energy Information Administration as of December. 2024 had Rhode Island as the highest commercial rate in New England at \$19.61 Dollars per Thousand Cubic Feet. Overall Rhode Island had the second highest rate in the nation.
- 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. “

Rhode Island Business Coalitions Principles

- Tax Burden
- Regulatory Reform and Employer Requirements
- Education and workforce

Tax Burden

- *Easing the Tax Burden on Businesses and Employers*
- Rhode Island's high tax burden must be addressed to create a business-friendly environment that attracts investment, increases wages, and encourages innovation. The Business Coalition supports policies that would improve the state's overall tax climate while maintaining and enhancing its advantages with respect to its neighboring states. Increasing taxes on businesses through higher corporate tax or through the income tax for pass through entities will make Rhode Island less affordable and less competitive. Also increasing taxes that are passed to businesses will also make less affordable to do business in the state. For instance, the proposed digital tax will increase the cost of doing business in Rhode Island.

Regulatory Reform and Employer Requirements

- The state should pursue regulatory reforms that simplify or reduce the number of rules and legal requirements imposed on businesses. The state should focus its regulatory efforts on areas of the highest potential risk to public safety or the environment and ensure that the benefits of regulation exceed the cost of compliance. Regulation reforms will make it easier and less costly for businesses to operate, encouraging business creation and expansion, and leading to increased investment and job creation. Using a simple standard of following federal requirements instead of being the only one of a small number of states that have that requirement makes us less competitive and an outlier.

Education and Workforce

- The state must effectively adopt innovative, evidence-based instruction based on high-quality curricula to ensure K-12 students are prepared to participate in tomorrow's economy. The Business Coalition believes that a strong educational system focused on English language arts, math, science, and technology will help attract businesses and drive economic growth. Further growth of Career and Tech programs are essential to train the future workforce for a striving business environment.

Accumulation

- We have not included all the issues which impact business and cost of doing business in our state or a concern to employer community.
- The accumulation of the many items that have a cost impact to business are identified by national comparisons. It is the total impact of the myriad of fees, taxes and regulations that require business to operate in a certain way. The national comparisons shows that we need to begin to look at these items with a dedication to improve the business climate in our state.
- In the attached written testimony, we reference many legislative acts that we believe should be enacted as well as those that should not be.
- We offer our help in reviewing in more detail where we stand nationally and what can be done to improve the business climate and environment in Rhode Island for us to have a viable economy creating jobs for our residence.
- Thank you

Members

- • American Council of Engineering Companies – Rhode Island
- • Associated Builders and Contractors – Rhode Island
- • East Greenwich Chamber of Commerce
- • Greater Newport Chamber of Commerce
- Hospital Association of Rhode Island
- • National Federation of Independent Business
- • New England Cable & Telecommunications Association
- • North Kingstown Chamber of Commerce
- • Rhode Island Association of Realtors
- • Rhode Island Bankers Association
- • Rhode Island Beverage Association
- • Rhode Island Builders Association
- • Rhode Island Business Group on Health
- • Rhode Island Hospitality Association
- • Rhode Island Lumber and Building Materials Dealers Association
- • Rhode Island Manufacturers Association
- • Rhode Island Marine Trade Association
- • Rhode Island Mortgage Bankers Association
- • Rhode Island Staffing Association
- • TechNet