



RIPEC

The Risks of a Millionaire's Tax

APRIL 16, 2026



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Rhode Island already has a progressive income tax structure

- There are a few ways to measure progressivity, but across measures RI ranks among the top 15 states
- Only about half of states have a graduated income tax
 - 15 have a flat tax rate and 9 do not levy income tax on wages and salaries

RI Income Tax Brackets 2026

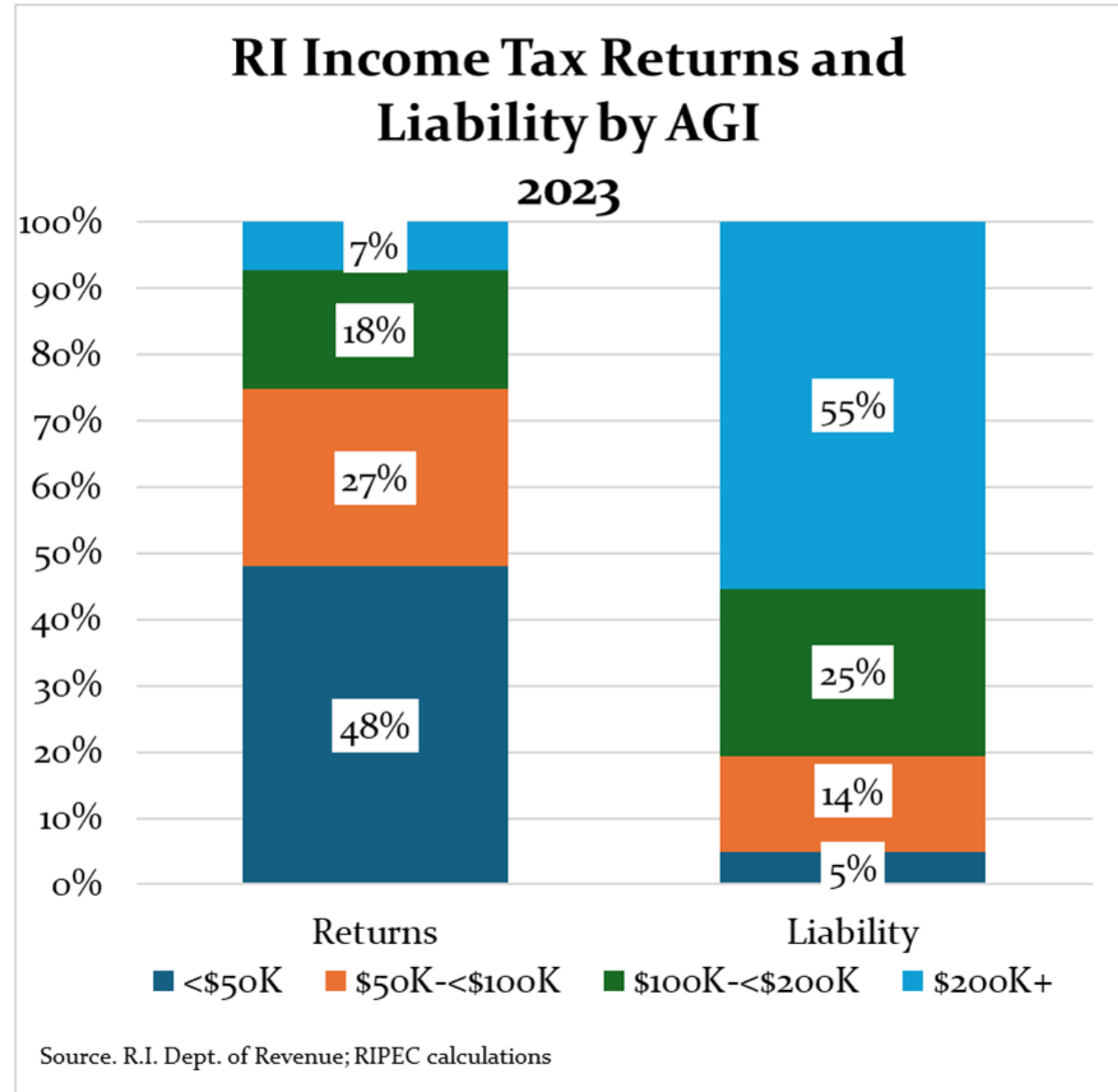
Rate	Income Level
3.75%	\$0 - \$82,050
4.75%	>\$82,050 - \$186,450
5.99%	>\$186,450

Note: Income indexed for inflation

Source: R.I. Dept. of Revenue

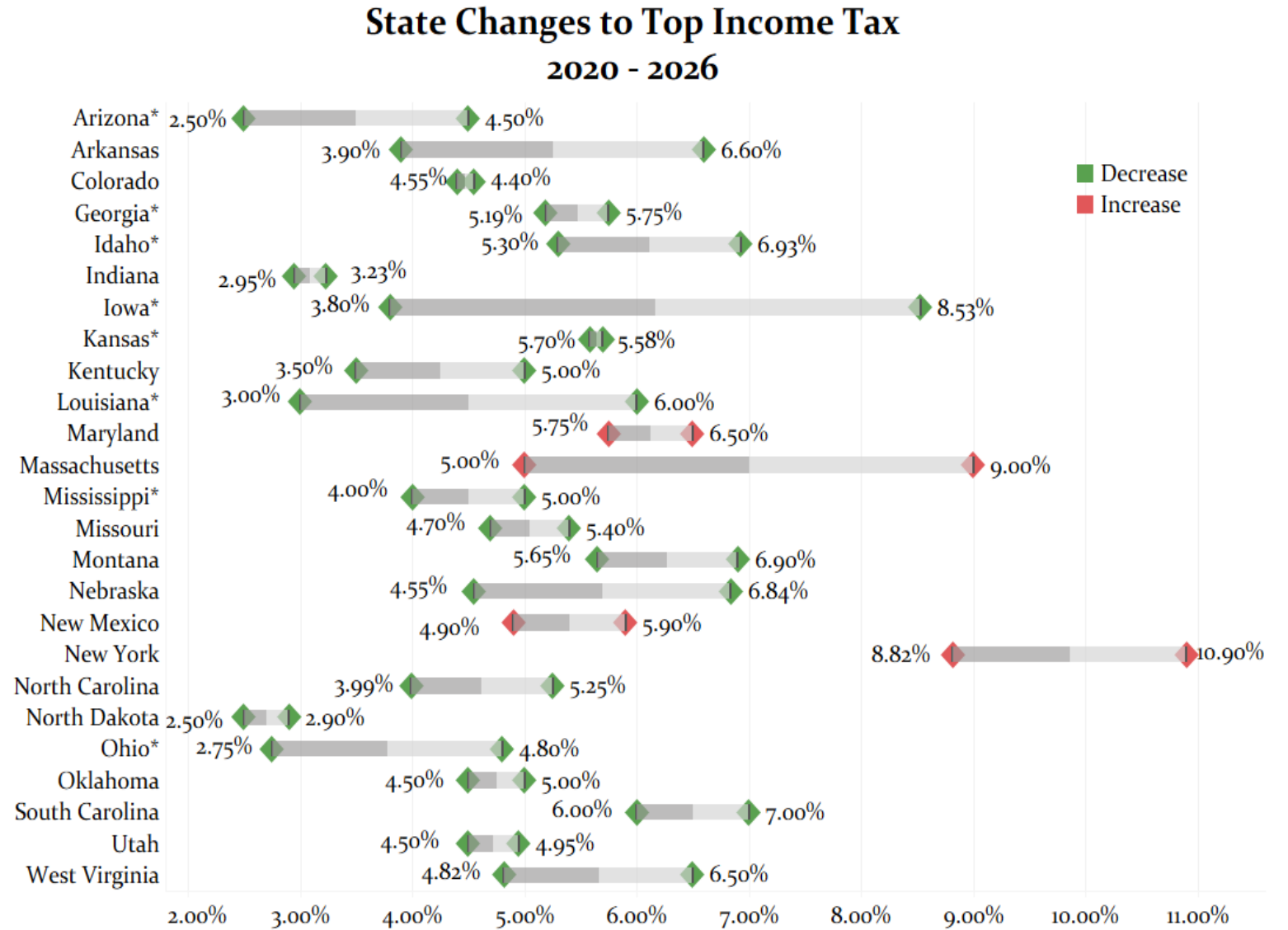
Most income tax revenues are from higher-earner Rhode Islanders

- State income tax data only available for 200K+
- For federal returns, taxpayers with \$1.0M+ make up 0.3% of returns and pay 22% of total tax payments
 - Taxpayers with \$500K+ pay 32% of total



State top income tax rates are diverging

- Since 2020, 21 states have reduced their top rates
- Eight states have moved to a flat tax structure
- Only 4 states have increased rates



* 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"

Rhode Island's top rate is now less competitive

- From 20th highest to 15th
- Under the proposal, Rhode Island would have the 8th highest top rate and essentially tie Massachusetts for highest in the region

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%)

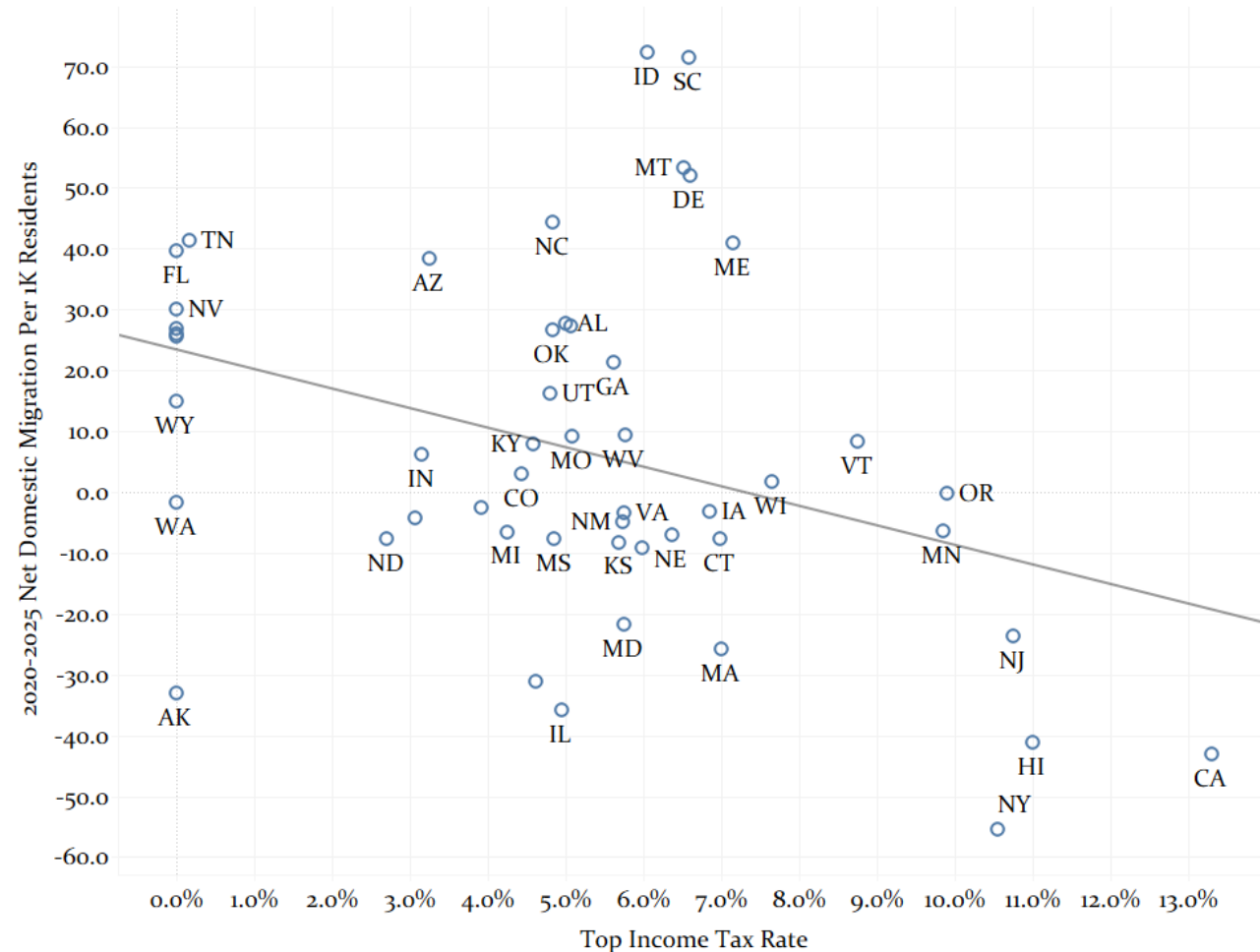
Note: Excludes states that do not levy an income tax, including Tennessee and New Hampshire which imposed a tax exclusively on interest and dividend income until 2021 and 2025, respectively, and Washington, which began levying a tax on capital gains in 2022.

Source: Tax Foundation, Income Tax Rates, 2020, 2026.

Taxes influence migration

- Migration is influenced by several factors, but higher top rates are statistically correlated with greater outflows
 - Half of the top 10 outmigration states also rank in the top 10 for highest top income tax rate

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



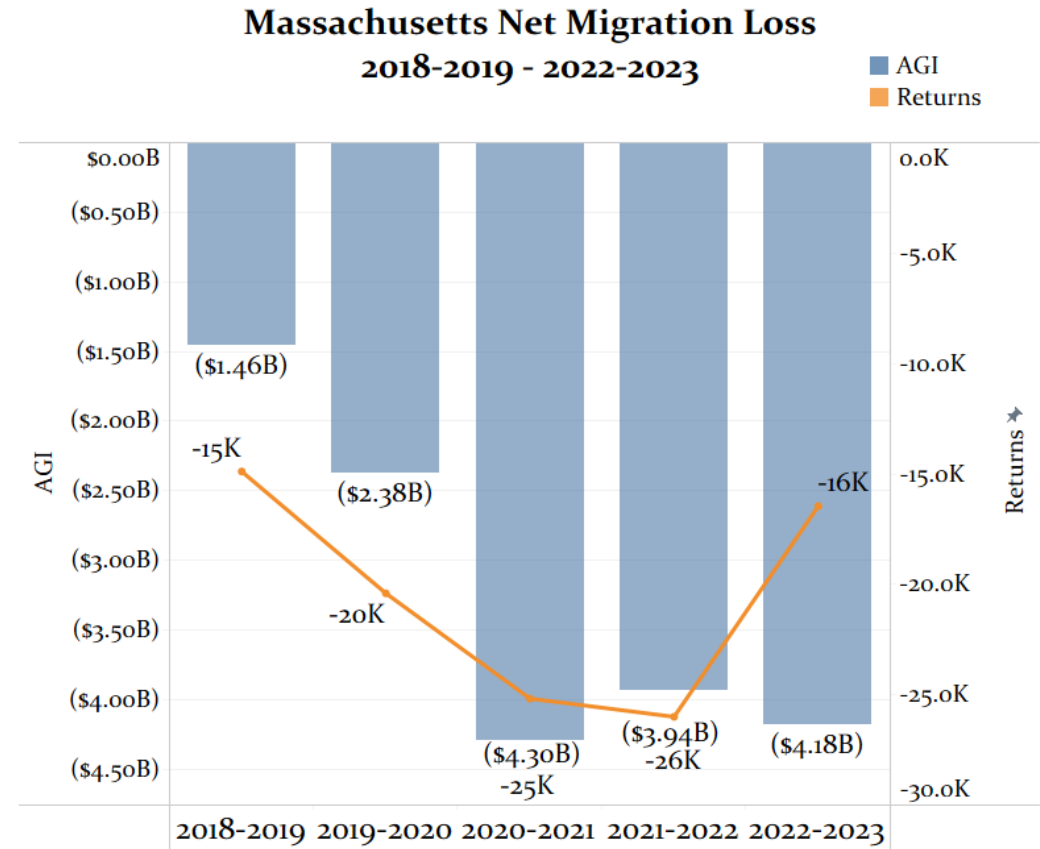
Note: A top rate of zero reflects that the state does not levy a general income tax. New Hampshire imposed a 5.0 percent tax exclusively on interest and dividend income until 2025. Washington began levying a 7.0 percent tax on capital gains in 2022 and in 2025 began levying a 9.0 percent tax on capital gains over \$1,000,000. 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, Current Population Survey, 2025; Tax Foundation, Income Tax Rates, 2020-2025; RIPEC calculations



The Consequences of Outmigration

- Massachusetts is experiencing high levels of outmigration and a large net outflow of AGI
- Net AGI loss captures income reallocation across state lines
 - E.g., job relocation, remote work, cross-border moves
- Adjusted for state personal income, Massachusetts had the 4th highest AGI outflow between 2020-2023 (after Illinois, California, New York)
 - Seventh highest outmigration per capita between 2020-2025



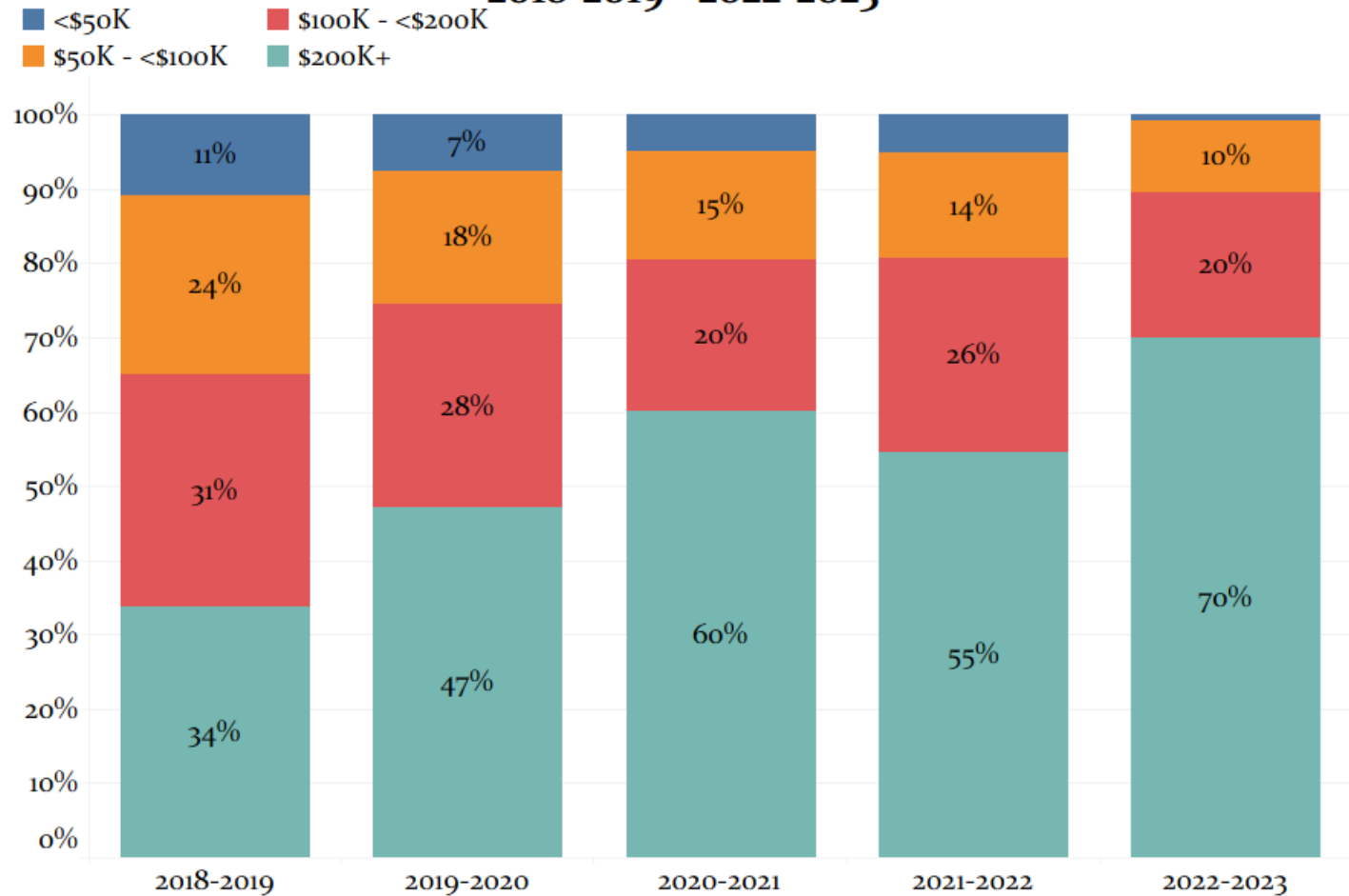
Source: IRS Migration Data; RIPEC calculations

Net outmigration is increasingly driven by higher-income filers

- First year post-tax (2022-23): 70% of net AGI outflow came from filers with \$200K+ income
 - Up from 34% in 2018-19
- Share of filers with \$200K+ is also up from 2018-19 (from 7% to 24%)

Massachusetts Net AGI Migration Loss by Income Level

2018-2019 - 2022-2023



Source: IRS Migration Data; RIPEC calculations



Rhode Island benefits from Massachusetts outmigration in residents and AGI

- Among states, Rhode Island had the 3rd highest level of net returns and 5th highest level of net AGI through Massachusetts' outmigration between 2022-2023
- By far the largest beneficiaries were Florida and New Hampshire

Top 5 Destination States for Net AGI Gains from Massachusetts Outmigration 2022-2023

State	Net Returns	% of Total	Net AGI (\$ Million)	% of Total
Florida	4,101	24%	\$ 1,875.3	45%
New Hampshire	4,009	24%	\$ 870.6	21%
Maine	1,101	7%	\$ 204.7	5%
South Carolina	1,074	6%	\$ 196.0	5%
Rhode Island	1,292	8%	\$ 185.2	4%

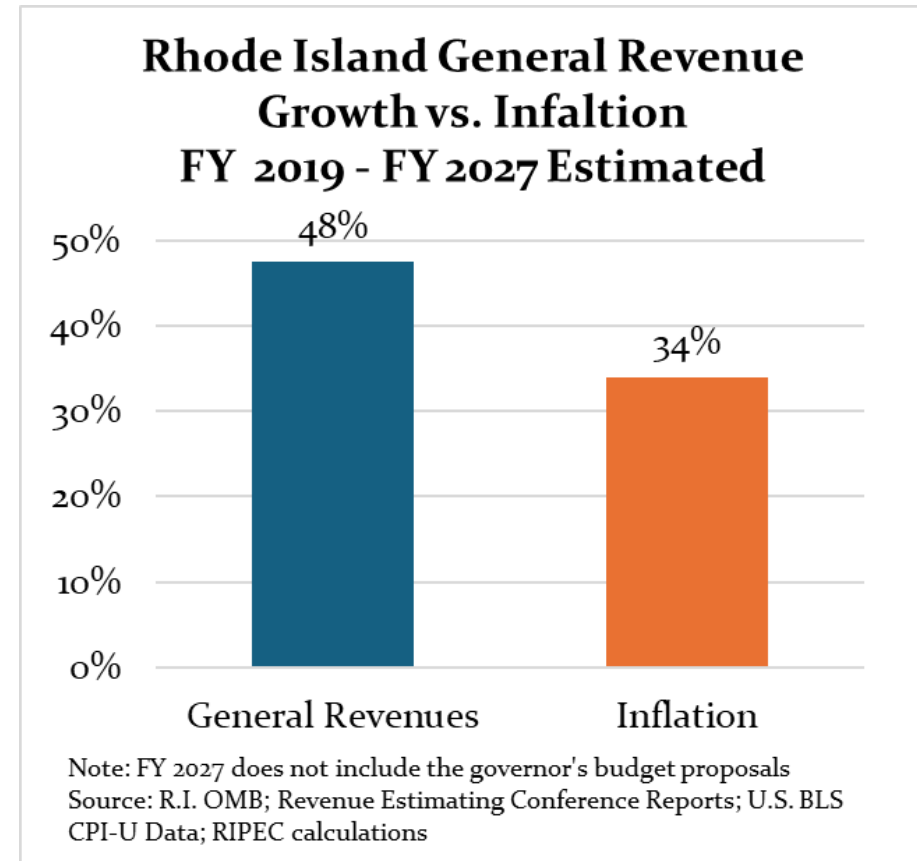
Source: IRS Migration Data



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Rhode Island has experienced robust general revenue growth in recent years

- Without any revenue law changes in FY27, general revenues are projected to grow by \$1.91B over FY19
- Stable year-over-year revenue growth rates are projected
 - November REC: 3.0% increase for FY27 over FY26 enacted





Income tax revenues in particular have helped drive growth in general revenues

- Without any changes to tax rates, in FY27 income tax revenues are projected to grow by \$733.8M over FY19
- Strong year-over-year income tax revenue growth projected
 - November REC: 6.5% increase for FY27 over FY26 enacted

