

RIPEC NEWS RELEASE

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RIPEC Calls for Personal Income Tax Reduction

RIPEC believes there is now an opportunity to reduce the State's personal income tax for Rhode Island taxpayers and to make a down-payment to improve the State's tax position in the region. RIPEC proposes to reduce the Ocean State's personal income tax from 25.0 percent to 22.0 percent by tax year 2007.

Any tax relief that is currently being considered should ensure that the relief is of sufficient scale and that it reaches all income classes, that it is relatively simple to understand and implement, and that it improves the State's overall tax climate and its competitive position in the region. The following table summarizes the proposed tax reduction for the State that will achieve these objectives:

Tax Year January of	Tax Rate	Proposed Rate	Change in Rate	Estimated Fiscal Impact (1)			
				FY 2006	FY 2007	FY 2008	FY 2009
2006	25.0%	23.5%	-1.5%	(\$31.5)	(\$31.5)	(\$65.3)	(\$67.7)
2007	23.5%	22.0%	-1.5%	-	(32.6)	(32.6)	(67.7)
Reduction in Available Revenues:				(\$31.5)	(\$64.1)	(\$97.9)	(\$135.3)

(1) Expressed in millions and assumes average annual growth of 3.6 percent

Source: RIPEC calculations

The RIPEC proposal takes nearly \$135 million in annual revenues off the table when fully implemented. This initiative would provide direct tax relief to all Rhode Islanders by reducing the personal income tax rate by 12.0 percent. Implementation of this proposal would reduce the State's top marginal income tax rate (currently the highest in the Nation) from 9.9 percent to 8.7 percent by tax year 2007. The following table shows the impact of the change in income tax rates by tax bracket (2004 tax year).

Rhode Island Income Bracket 2004	Rhode Island Current Law 25.0%	Rhode Island January 2006 23.5%	Rhode Island January 2007 22.0%
0 - \$48,500	3.75%	3.53%	3.30%
\$48,500 - \$117,250	7.00%	6.58%	6.16%
\$117,250 - \$178,650	7.75%	7.29%	6.82%
\$178,650 - \$319,100	9.00%	8.46%	7.92%
\$319,100 +	9.90%	9.31%	8.71%

Based on tax rate schedules published for tax year 2004.

RIPEC is an independent, non-partisan voice and catalyst for effective, efficient and equitable government in Rhode Island