

Executive Summary
A System at Capacity: Rhode Island's
State and Local Tax System

June, 2008

Compiled as a public service by the Rhode Island Public Expenditure Council

A RIPEC Report on Rhode Island’s State and Local Tax System

“A System at Capacity”

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1. Executive Summary and RIPEC Comments

Based on Census data, in FY 2006, the most recent year for which nationally comparable data are available, Rhode Island's State and local tax collections amounted to \$119.79 per \$1,000 of personal income. This amount of taxes paid to support government ranks Rhode Island 10th highest among the 50 states. This effectively means the State's tax collections account for 12.0 percent of personal income, which is higher than the national average as well as Connecticut and Massachusetts.

Between FY 1996 and FY 2006, total State and local tax collections in Rhode Island increased by 6.3 percent on a per \$1,000 of personal income basis, which was more than twice as fast as the national average increase. During this time period, total collections in both Connecticut and Massachusetts decreased.

In October 2007, the Tax Foundation ranked Rhode Island the worst business climate in the country for the third year in a row. Rhode Island ranked 48th on the property tax, last on the unemployment index, 34th on the corporate tax, and 33rd on the sales tax index.

Recently, progress has been made to improve Rhode Island's tax climate and also control the rate of growth in local property taxes. In 2005 Rhode Island was ranked 8th highest in the United States on a per \$1,000 of personal income basis, but in 2006 the State moved to the 10th highest ranking per \$1,000 of personal income nationally. This is a reflection of the movement in the rankings of other states whose tax burdens increased. One should note that Rhode Island has recently made changes to its tax system, such as the implementation of the flat tax in tax year 2006 and the reduced rate for long-term capital gains in tax year 2007, which will impact current and future tax collections.

Revenue System Issues

A revenue system includes the entire means by which governments acquire financial resources to pay for public goods and services. While each state makes individual decisions concerning its particular revenue system, a core set of principles has evolved over the years. While the relative weight given to any one principle will vary in developing or modifying a revenue system, each of these criteria should be considered.

A high-quality state revenue system should:

1. Comprise elements that are complementary, including the finances of both state and local governments;
2. Produce revenue in a reliable manner;
3. Rely on balanced and diversified revenue sources;
4. Treat individuals equitably and minimize regressivity;
5. Facilitate taxpayer compliance;
6. Promote fair, efficient and effective administration;
7. Respond to interstate and international economic competition;
8. Have minimal involvement in spending decisions and any such involvement should be made explicit; and
9. Be accountable to taxpayers.

To reflect the economy of tomorrow and improve Rhode Island's fiscal position, State and local leaders should develop a multi-year strategic tax plan with the objective of:

- Lessening the overall tax burden
- Ensuring a proper balance between State and local taxes
- Reducing tax inequities among localities in the State
- Equitably and efficiently funding public services, particularly education, and
- Improving Rhode Island's competitive position.

A thoughtful tax restructuring effort, distinct from a piecemeal approach will enable the establishment of a tax system that reflects the Rhode Island of tomorrow instead of the Rhode Island of yesterday. The fiscal and economic impacts of tax changes should be thoroughly and carefully evaluated before actions are undertaken that fundamentally change the system of taxation in Rhode Island. The Governor has recently initiated a full review of the current tax structure through a Blue Ribbon Panel. This panel is scheduled to report out before the end of calendar year 2008. The following provides an overview of some areas that should be looked at before any changes to the tax structure should be made.

Personal Income Tax Issues

- The personal income tax is the largest single source of State general revenues. Therefore, a comprehensive discussion of the State's tax structure cannot ignore issues revolving around the fairness, administration, and competitiveness of the State's largest tax generator;
- To improve Rhode Island's income tax system, one should consider the following:
 - Economic Competitiveness – A quality tax system should not create barriers that discourage economic activity. The income tax should not be perceived to discourage job creation and investment. Because states have increased the level of competition for economic development, Rhode Island should continue to assess whether the State's personal income tax system encourages or discourages economic expansion and job retention;
 - Equity and Fairness – The personal income tax introduces progressivity into the State's tax system, helping reduce the generally regressive nature of other State and local taxes, particularly the property tax. Therefore, issues of both vertical and horizontal equity must be considered in any reform of the State's personal income tax system;
 - Simplicity – Simplicity is another characteristic of a quality income tax system. Taxes should be easy to calculate and comply with, and easy to administer. It takes a knowledgeable tax practitioner to determine which credits to take and in which order to take them. While some taxpayers have complex filing requirements because of the nature of their income and deductions, the average state tax return should be a fairly simple undertaking. Simplicity is also related to administrative efficiency and effectiveness where tax collections and compliance imposes as little costs as possible on both the State and taxpayer; and
 - Transparency – A key principle of a quality tax system is transparency, including tax rates, income brackets, and personal exemptions that are indexed to an inflation factor. The public should be able to understand how it is being taxed compared to

other states. Recently, the Assembly undertook efforts to increase transparency within Rhode Island's income tax system.

- Historic Structures Tax Credits, Motion Picture Tax Credits, and a number of other credits have had a significant impact on State income tax revenues. There is a need to carefully examine both credits to determine if they are meeting their objectives and whether, and how, to modify the credits; and
- Changes to the capital gains tax should be made with caution, after an examination of the demographic profile of taxpayers who claim capital gains income. As an increasingly larger percentage of capital gains are held by the elderly, who often do not earn wages, the impact of higher capital gains rates may become one of greater importance.

Sales Tax Issues

- Exemptions in Rhode Island's sales tax code have reduced the State's reliance on the sales tax as a revenue source, and increased reliance on other taxes;
- Sales taxes, particularly excise taxes, are among the most regressive forms of taxation. Revisions to the sales tax code should be made with caution and with consideration of the regressive nature of the sales tax;
- Changes to sales taxes should be evaluated in terms of the impact sales tax pyramiding may have on the consumer; and
- Consideration should be given to the impact of remote sales on main street business and efforts made by the Streamlined Sales Tax Project.

Business Tax Issues

- Over the past years, businesses in Rhode Island have borne an increased share of the growth in the overall State and local tax burden;
- Changes to the business taxes should be considered in the context of the long-range economic policy objectives of the State. The 2007 Assembly directed the Division of Taxation, with assistance from the Office of Revenue Analysis, to prepare and submit to the Assembly a report, due December of 2008, concerning the policy and fiscal ramifications of changing the corporation tax and other business income taxes to a combined entity method of reporting. This report should be used as a basis for potential changes to the structure of the business taxes;
- The impact of the continued shifting of the property tax burden to commercial and industrial property and the impact on Rhode Island's ability to attract business, especially in the State's urban core cities, should be carefully examined;
- Differential tax rates on businesses that provide similar or the same goods and the erosion of horizontal equity as providers diversify the services offered should be analyzed; and
- The impact of the State's high corporate income tax rate, as well as the consequences of potentially reversing recently enacted tax policy changes on business location decisions in an era of highly mobile capital should be evaluated.

Property Tax Issues

- The recent enacted legislation that statutorily achieves the objective of limiting the growth in property taxes should be kept in place. This legislation closed a major loophole in the State's

existing property tax cap by applying the cap to only the levy rather than the rate or the levy and reduces the cap from 5.5 percent to 4.0 percent by FY 2013 in 0.25 percent increments;

- Property tax administration should be standardized (e.g., standards for local classification systems). Legislation adopted in 2000 established a statewide standard for local classification schemes. This legislation provides that upon the completion of any revaluation a municipality may adopt a property tax classification plan. However, local classification plans are limited to four classes of property, and the effective tax rate applicable to any class cannot exceed 50 percent of the rate applicable to any other class; however, exemptions from this law given to various cities and towns have limited its uniform statewide application;
- The current property reappraisal and revaluation schedule should be kept. This legislation advanced the ten-year mandate revaluation by one year, requiring a comprehensive revaluation every nine years. In addition, in order to maintain assessments that reflect market changes, the 1997 Act requires cities and towns to conduct a statistical update in the third and sixth year after each revaluation. Decreasing the frequency of property revaluations could result in less equity within and among jurisdictions; reduce the accuracy and reliability of data used to calculate and distribute State aid in the future; and result in credit rating agencies having less “real time” data to use in determining the credit worthiness of Rhode Island’s 39 cities and towns; and
- Implement a new education finance system to reduce the proportion of education funds derived from local property taxes.

This report provides an overview of Rhode Island’s current tax structure and highlights some issues that need to be further examined before any changes are made. RIPEC will issue a report that will provide further analysis to help guide the discussion. Recently, progress has been made to improve Rhode Island’s tax climate. As Rhode Island moves forward, it is incumbent upon the State’s leaders to focus attention on the overall structure of our State and local tax system and provide for a competitive tax structure.

2. Highlights of Report

Overall Tax System

- Based on Census data, in FY 2006, the most recent year for which nationally comparable data are available, Rhode Island collected \$119.79 per \$1,000 of personal income in total State and local taxes. This amount of taxes paid to support government ranks Rhode Island 10th highest among the 50 states;
- The State's tax collections as of FY 2006 account for 12.0 percent of personal income as compared to the national average of 11.2 percent;
- On a per capita basis, Rhode Island's total State and local tax collections of \$4,384 per capita in FY 2006 rank the Ocean State 12th highest in the country;
- Between FY 1996 and FY 2006, total State and local tax collections in Rhode Island increased by 6.3 percent on a per \$1,000 of personal income basis. By contrast, total collections in both Connecticut and Massachusetts decreased during this time period; and
- On a per capita basis, between FY 1996 and FY 2006, Rhode Island has seen total tax collections increase by 60.1 percent. Nationally, total state and local tax collections increased by 54.0 percent. Massachusetts and Connecticut saw total tax collections per capita increase by 51.6 percent and 48.0 percent, respectively.

Personal Income Tax

- In FY 2006, Rhode Island ranked 17th highest in the country for individual income tax collections on a per capita basis and 23rd highest on a per \$1,000 of personal income basis, below both Massachusetts and Connecticut who ranked 4th and 3rd, respectively, on a per capita basis, and 6th and 10th on a per \$1,000 of personal income basis;
- Rhode Island has the lowest income tax collections of the three southern New England states by either measure and the State continues to move closer to the national average. As measured on a per \$1,000 of personal income basis, Rhode Island's FY 2006 income tax collections were 2.1 percent higher than the national average compared to 10.2 percent higher in FY 2005. On a per capita basis Rhode Island's income tax revenues were 6.2 percent above the national average;
- Rhode Island's top marginal rate of 9.9 percent is one of the highest in the 41 states that levy a broad-based income tax, effective on incomes over \$349,700. Connecticut's top marginal rate is 5.0 percent on incomes over \$10,000; Massachusetts has a 5.3 percent tax on income. In 2006 the Assembly enacted legislation to allow taxpayers to opt for a tax of 8.0 percent of adjusted gross income for tax year 2006 in lieu of the current tax in determining tax liability. The tax will decrease by 0.5 percent per year until reaching 5.5 percent in tax year 2011. Filers opting for the flat tax are ineligible for credits or deductions;
- Rhode Island's system of progressive taxation results in a much higher tax burden for individuals with high incomes when compared to states with flatter systems of taxation, such as Massachusetts and Connecticut. The income threshold at which Rhode Island taxes surpass Massachusetts or Connecticut for most filers was \$200,000 for tax year 2007;
- While Effective Tax Rates (ETRs) vary, a taxpayer in Rhode Island in the highest income threshold included had an estimated ETR of 7.8 percent compared to Connecticut (5.2 percent) and Massachusetts (5.2-5.5 percent);
- In tax year 2005, the 486,209 resident tax filers in Rhode Island with Adjusted Gross Income (AGI) over \$200,000 accounted for 24.1 percent of statewide AGI, and 40.3 percent of total

net tax liability. One should note that tax liability may be overstated due to historic tax credits and film credits that are not factored into the calculation; and

- Conversely, tax filers with AGI of less than \$30,000 account for 11.6 percent of state AGI, and 3.8 percent of total net tax liability (no calculation is made for Earned Income Tax Credits).

Sales Taxes

- Sales taxes across the country range from 2.9 percent in Colorado to a high of 7.0 percent in Rhode Island, Mississippi, New Jersey and Tennessee. However, 13 states have a combined state and local rate of 7.0 or greater, and when local taxes are considered, sales taxes range from a low of 1.45 percent in Alaska, which has no statewide sales tax, to 9.45 percent in Tennessee. Five states, Alaska, Delaware, Montana, New Hampshire and Oregon, have no state sales tax;
- However, one should note that Rhode Island exempts a number of categories from the sales tax, including food (excluding food intended for immediate consumption), prescription drugs, non-prescription drugs, services, clothing, and footwear; and
- In FY 2006, Rhode Island ranked 37th in the country for sales tax collections per \$1,000 of personal income and 30th in the country on a per capita basis. In both cases, the State's sales tax collections were below the national average.

Business Taxes

- Rhode Island's business tax burden does not compare favorably on either a national or a regional scale. In October of 2007, the Tax Foundation ranked Rhode Island the worst business climate in the country for the third year in a row. Rhode Island ranked 48th on the property tax, last on the unemployment tax index, 34th on the corporate tax, and 33rd on the sales tax index;
- According to Ernst & Young businesses in Rhode Island paid 46.4 percent of total State and local taxes in FY 2007, which was similar to the national average of 44.1 percent, but in marked contrast to our neighboring states. In FY 2007 businesses' taxes as a share of total state and local tax collections were 39.2 percent in Massachusetts and 34.0 percent in Connecticut;
- Rhode Island businesses paid 54.2 percent of the total increase in State and local tax collections between FY 2002 and FY 2007 based on Ernst and Young calculations. This compares to 31.4 percent in Connecticut and 46.1 percent in Massachusetts. Nationally, businesses paid 45.8 percent of the total increase in tax collections during this time period;
- Property taxes accounted for the largest share of all state and local business tax collections in all three states. In Rhode Island, property taxes accounted for 51.6 percent of taxes paid by businesses. Sales taxes represented the second largest share in Rhode Island, as was the case nationally; however, all three states were below the national average of a 22.9 percent share of total state and local business taxes. Rhode Island's excise and gross receipts taxes were the third largest component of taxes paid by businesses, accounting for 9.8 percent of all collections; and
- The business share of sales taxes increased from a 40 percent share (\$243.4 million) in FY 2000 to a 46 percent share (approximately \$400.0 million) in FY 2007. At the same time, the share of property taxes supported by businesses increased 24 percentage points, from a 33 percent share to almost 57 percent of all property taxes collected in the State.

Property Taxes

- Across the United States, property taxes, on average, account for the largest single portion of total state and local tax collections. However, New England states rely more heavily on the property tax to fund local governments than does the rest of the country;
- In FY 2006, Rhode Island's property tax collections of \$48.32 per \$1,000 of personal income were 43.1 percent above the national average of \$33.77 per \$1,000 of personal income, ranking the Ocean State 6th highest in the country;
- Rhode Island's property tax collections as a percent of personal income were higher than in either Massachusetts or Connecticut;
- To address the high property tax burden in Rhode Island, in 2006 the General Assembly passed the "Property Tax Relief Act of 2006". The legislation provided for a cap on the amount the property tax levy can grow annually beginning in FY 2008; and
- Property tax rates vary significantly across the communities in the State. FY 2008 actual tax rates on residential real estate range from a low of \$3.17 per \$1,000 of assessed value in New Shoreham to a high of \$22.84 per \$1,000 of assessed value in Providence (not taking into account homestead exemptions, other taxing authorities, or classification structures).

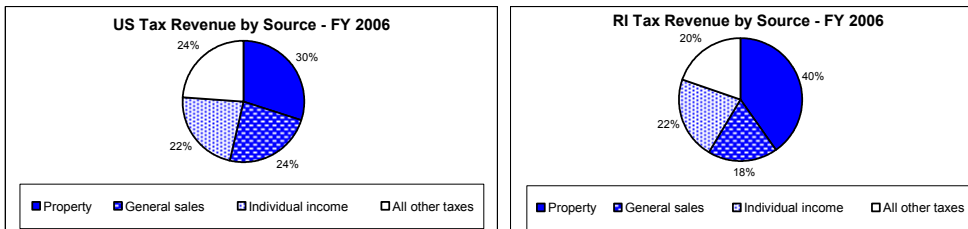
3. Overview of Rhode Island's Tax System

According to Census Bureau estimates, in FY 2006, the most recent year for which nationally comparable data are available, Rhode Island's total State and local tax collections totaled \$4,680.0 million, an increase of \$1,969.3 million (72.7 percent) from FY 1996. The three primary sources for tax collections in the State are property (\$1,887.9 million in FY 2006), individual income (\$1,019.5 million), and general sales and use taxes (\$854.3 million).

Table 1
State and Local Revenues Per \$1,000 of Personal Income and Per Capita
How Rhode Island Compares to the United States Average
Fiscal Year 2006

Selected Tax Revenues	Per \$1,000 of Personal Income				Per Capita			
	US	RI	Rank	% of US	US	RI	Rank	% of US
Property	\$33.77	\$48.32	6	143.1%	\$1,202	\$1,768	7	147.1%
Individual Income	25.26	26.10	23	103.3%	899	955	17	106.2%
General Sales	26.54	21.87	37	82.4%	944	800	30	84.7%
Total State and Local Taxes	\$112.41	\$119.79	10	106.6%	\$4,000	\$4,384	12	109.6%
Charges and Misc Revenues	\$50.65	\$42.98	43	84.9%	\$1,802	\$1,573	39	87.3%
All Revenues*	\$257.67	\$262.94	20	102.0%	\$9,169	\$9,622	10	104.9%

*Revenues include: intergovernmental revenues; all tax revenues; charges and misc. general revenues; utility, liquor store, and insurance trust revenues.
 Source: US Census Bureau, Government Finance, FY 2006 Data, Bureau of Economic Analysis for personal income data, RIPEC calculations



Census Bureau data for fiscal year 2006 indicate that State and local governments in the Ocean State collect \$119.79 in taxes for every \$1,000 of personal income. This amount of taxes paid to support government ranks Rhode Island 10th highest among the 50 states. In other words, the State's tax collections account for 12.0 percent of personal income. By contrast, total state and local tax collections in the United States as a whole accounted for 11.2 percent of personal income.

On a per capita basis, Rhode Island's total State and local tax collections of \$4,384 per capita were 9.6 percent higher than the national average of \$4,000 per capita. The largest component of total State and local taxes in the State were property taxes, which accounted for 40.3 percent of total tax collections. By contrast, 30.0 percent of total national collections were from the property tax. This reliance on the property tax as a means of revenue generation in Rhode Island is out of step with the rest of the country and ultimately leads to an unbalanced system of taxation.

All three southern New England states were above the national average in FY 2006 on both income and property tax by either measure although Rhode Island was only slightly higher than the national average for income tax collections. At the same time, all three states were below the national average for sales tax collections. On a per \$1,000 of personal income basis, Rhode Island ranked higher than either of its neighboring states for both the property and the sales tax, and below for the personal income tax. On a per capita basis, Rhode Island ranked lower than Connecticut on all measures, but surpassed Massachusetts on both property and sales tax collections for FY 2006.

The following analysis examines how Rhode Island, Connecticut and Massachusetts compare on their income, property and sales tax collections, and how their tax burdens compare over time.

FY 1996-FY 2006 State and Local Tax Collections per \$1,000 of Personal Income

Between FY 1996 and FY 2006, total State and local tax collections in Rhode Island increased by 6.1 percent on a per \$1,000 of personal income basis. By contrast, total collections in both Connecticut and Massachusetts decreased during this time period.

	FY 1996			FY 2006			Actual Increase			Percent Increase		
	RI	MA	CT	RI	MA	CT	RI	MA	CT	RI	MA	CT
Income	\$24.14	\$38.70	\$24.79	\$26.10	\$36.17	\$33.42	\$1.96	-\$2.53	\$8.63	8.1%	-6.5%	34.8%
Property	47.83	37.36	44.15	48.32	37.36	43.76	0.49	0.00	-0.39	1.0%	0.0%	-0.9%
Sales	19.34	15.06	23.18	21.87	13.83	17.59	2.53	-1.23	-5.59	13.1%	-8.2%	-24.1%
Total	\$112.69	\$110.33	\$118.91	\$119.79	\$105.69	\$114.94	\$7.10	-\$4.64	-\$3.97	6.3%	-4.2%	-3.3%

Source: US Census Bureau, Government Finance, FY 2006 Data, Bureau of Economic Analysis for personal income data, RIPEC calculations

Personal income tax collections in Rhode Island increased by 8.1 percent between FY 1996 and FY 2006, from \$24.14 per \$1,000 of personal income to \$26.10 per \$1,000 of personal income. Rhode Island's income tax burden was the lowest of the three southern New England states in both years.

Rhode Island was the only state to see an increase in the property tax as a percent of personal income since FY 1996; however, all three states remain significantly above the national average of \$33.77 per \$1,000 of personal income. Rhode Island's property tax burden was higher than Connecticut and Massachusetts in both years.

General sales tax collections in Rhode Island increased by the greatest amount, growing from \$19.34 per \$1,000 of personal income in FY 1996 to \$21.87 per \$1,000 of personal income in FY 2006, a 13.1 percent increase. Rhode Island's general sales tax burden was lower than Connecticut but higher than Massachusetts in FY 1996 but was higher than both states in FY 2006.

FY 1996-FY 2006 State and Local Tax Collections per Capita

Between FY 1996 and FY 2006, Rhode Island has seen total tax collections increase by 60.1 percent on a per capita basis. Nationally, total state and local tax collections increased by 54.0 percent. Massachusetts and Connecticut saw total tax collections per capita increase by 51.6 percent and 48.7 percent, respectively.

	FY 1996			FY 2006			Actual Increase			Percent Increase		
	RI	MA	CT	RI	MA	CT	RI	MA	CT	RI	MA	CT
Income	\$586	\$1,101	\$799	\$955	\$1,629	\$1,648	\$369	\$528	\$849	63.0%	48.0%	106.3%
Property	1,162	1,063	1,422	1,768	1,682	2,159	606	619	737	52.2%	58.2%	51.8%
Sales	470	428	747	800	623	868	330	195	121	70.2%	45.6%	16.2%
Total	\$2,738	\$3,139	\$3,813	\$4,384	\$4,759	\$5,670	\$1,646	\$1,620	\$1,857	60.1%	51.6%	48.7%

Source: US Census Bureau, Government Finance, FY 2006 Data, Bureau of Economic Analysis for personal income data, RIPEC calculations

During this time period income tax collections in Rhode Island increased from \$586 to \$955 per capita, a 63.0 percent increase, which was similar to the national average increase of 62.3 percent. Massachusetts had the smallest increase in income tax collections among the three comparison states on a per capita basis; personal income tax collections in Massachusetts increased by 48.0 percent.

Property tax collections in Rhode Island increased from \$1,162 to \$1,768 per capita between FY 1996 and FY 2006, a 52.2 percent increase. In absolute terms, this was the smallest increase of the southern New England states; however, the increase was almost \$200 more than the average increase nationally.

Between FY 1996 and FY 2006, sales tax collections in Rhode Island increased from \$470 to \$800 per capita, a 70.2 percent increase. Rhode Island's rate of increase in the sales tax was approximately one and a half times faster than both Massachusetts and the national average, and was more than four times greater than the per capita increase in Connecticut. Massachusetts had the lowest sales tax collections per capita in southern New England for both years.

On a per capita basis, property taxes accounted for the largest share of the total growth in tax collections in Rhode Island, constituting for 36.8 percent of the total increase in State and local tax collections between FY 1996 and FY 2006. Individual income tax collections accounted for 22.4 percent of the growth since FY 1996. Sales tax collections accounted for the smallest share of the increase of the three taxes examined here, increasing by 20.0 percent; however, sales taxes in Rhode Island accounted for a larger portion of the increase in total State and local tax collections than in either Massachusetts (12.0 percent of the increase) or Connecticut (6.5 percent share of the increase).

4. Personal Income Tax

National Comparison

	Per \$1k of Personal Income		Per Capita	
	Amount	Rank	Amount	Rank
U.S Average	\$25.56	-	\$899	-
Connecticut	33.42	10	1,648	3
Massachusetts	36.17	6	1,629	4
Rhode Island	26.10	23	955	17

SOURCE: US Bureau of the Census; the Bureau of Economic Analysis; RIPEC calculations

Census Bureau data from FY 2006 show the Ocean State ranked 17th highest in the country for individual income tax collections on a per capita basis and 23rd highest on a per \$1,000 of personal income basis, significantly below both Massachusetts and Connecticut, which ranked 4th and 3rd, respectively, on a per capita basis, and 6th and 10th on a per \$1,000 of personal income basis. Rhode Island has the lowest income tax collections compared to both Connecticut and Massachusetts by either

measure. FY 2006 personal income tax collections in Rhode Island were close to the national average in contrast to past years during which personal income taxes have historically been approximately 10 percent higher than the national average on a per \$1,000 of personal income basis. One should note that Rhode Island implemented a flat tax option for tax year 2006, which will have an impact on current and future income tax collections.

Rhode Island's top marginal rate of 9.9 percent is one of the highest in the 41 states that levy a broad-based income tax. California has a higher top rate of 10.3 percent; however, it is only levied on incomes over \$1.0 million, while Rhode Island's top rate is effective on incomes over \$349,700. At the same time, Connecticut's top marginal rate is 5.0 percent on incomes over \$10,000 and Massachusetts has a 5.3 percent tax on income with a 12.0 percent tax on capital gains, as shown on Table 5.

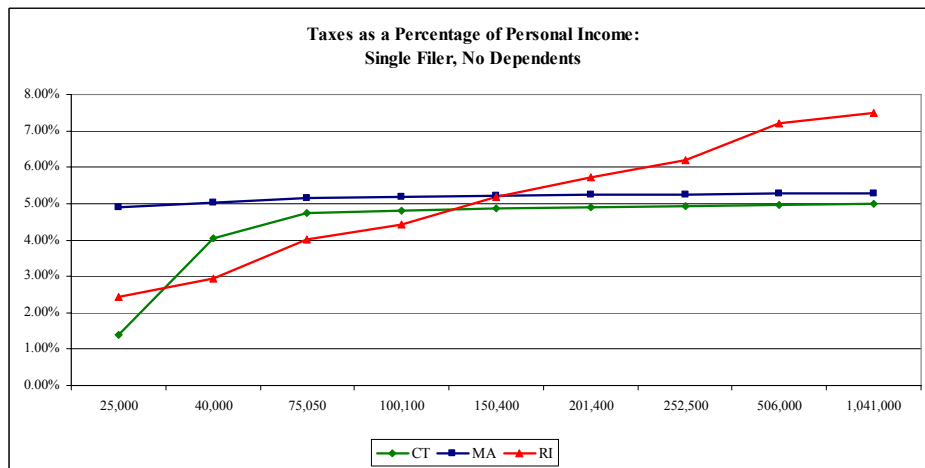
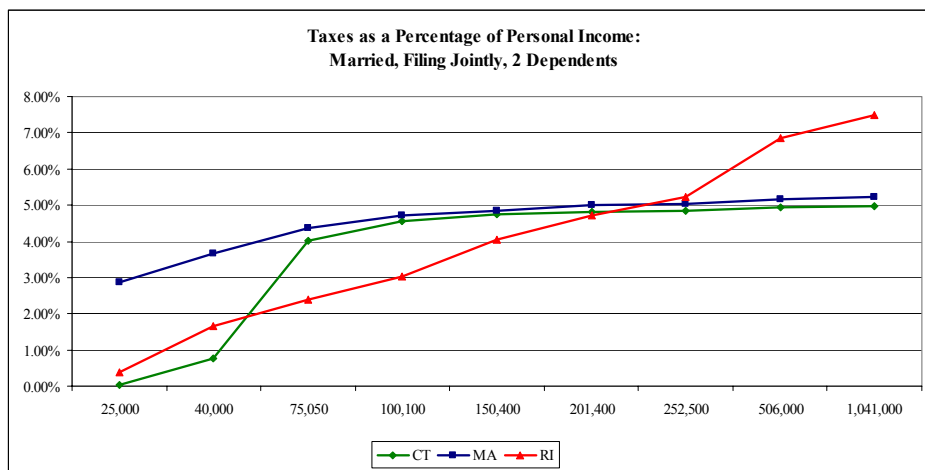
	Marginal Rates and Tax Brackets*	Standard		Personal Exemptions	
		Single	Joint	Single	Dependents
Connecticut**	3.0% > \$0 5.0% > \$10,000	n.a	n.a	\$12,625	\$0
Massachusetts	5.3% and 12%***	n.a.	n.a.	\$4,125	\$1,000
Rhode Island****	3.75% > \$0 7% > \$31,850 7.75% > \$77,100 9% > \$160,850 9.9% > \$349,700	\$5,350	\$10,700	\$3,400	\$3,400

* Single filers
 ** Exemption value decreases as income increases and is phased out at \$37,250 for a single taxpayer; a credit is also offered that is equal to a percentage of tax owed, phasing out as income increases, up to \$55,000.
 *** The 12% rate applies to short-term capital gains, long- and short-term capital gains
 **** 8.0 percent flat tax option; taxpayers calculate and pay the lesser liability.
 SOURCE: The Tax Foundation

While Rhode Island has a significantly higher top marginal rate than the other Southern New England states, the State's income tax is significantly more progressive than most other states, meaning that lower-income families pay less in personal income taxes as a percentage of personal income than do upper-income families. Compared to Rhode Island, the majority of states have a flatter tax system or a lower income threshold at which income is taxed. Rhode Island's effective tax rate (ETR), that is, the tax burden as a percent of income, is lower than the ETR in either Connecticut or Massachusetts for most taxpayers at lower income thresholds.

Rhode Island Data

Rhode Island’s system of progressive taxation results in a much higher tax burden for individuals with higher incomes. Based on a series of taxpayer profiles created by RIPEC and the Rhode Island Society of CPAs for tax year 2007, a married couple with two dependents, filing jointly, with an income of \$250,000 faces an ETR of 5.3 percent in Rhode Island, compared to ETRs of 4.9 percent in Connecticut and 5.1 percent in Massachusetts. Rhode Island’s ETR for taxpayers with incomes of \$1.0 million, was 7.8 percent, compared to 5.4 percent in Massachusetts and 5.2 percent in Connecticut. The estimated tax payment was 43.3 percent, or \$23,608, higher in Rhode Island than in Massachusetts and 51.2 percent (\$26,425) higher than in Connecticut. Single filers in Rhode Island can expect to pay more than their counterparts in either southern New England state at a lower threshold; the Rhode Island ETR for incomes of \$200,000 were 1.0 to 1.3 percent higher than their equivalents, the equivalent of \$2,300 to \$3,200 more in taxes.



As noted above, the 2006 Assembly enacted legislation to allow taxpayers to opt for a flat tax of 8.0 percent of adjusted gross income for tax year 2006 in lieu of the current tax in determining tax liability. The 8.0 percent flat tax will decrease by 0.5 percent per year until reaching 5.5 percent for tax year 2011. Filers opting for the flat tax are ineligible for the majority of credits or deductions. This change will reduce the ETR of higher income tax filers as the rate decreases.

Table 6
Analysis of Rhode Island Tax Returns, Tax Year 2005

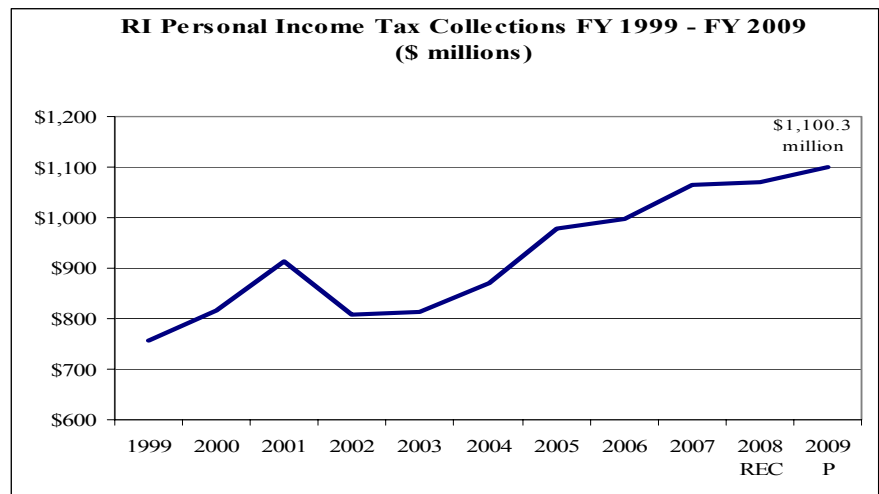
	<\$30,000	\$30,001- \$50,000	\$50,001- \$75,000	\$75,001- \$100,000	\$100,001- \$200,000	\$200,001+	Total
Number of Returns	236,964	87,060	68,060	40,395	41,817	11,913	486,209
% of Total Returns	48.7%	17.9%	14.0%	8.3%	8.6%	2.5%	100.0%
Tax Liability (\$ millions)							
Adj. Gross Income	\$2,991.2	\$3,405.8	\$4,189.4	\$3,489.1	\$5,485.3	\$6,214.5	\$25,775.3
Regular Tax Liability	42.1	80.6	115.1	108.1	209.0	311.9	866.9
Capital Gains Liability	0.4	0.6	1.5	2.2	10.4	74.9	90.1
AMT Liability	0.1	0.0	0.2	0.3	1.8	5.5	7.9
Net RI Tax incl. Credits	\$36.2	\$80.3	\$116.0	\$109.9	\$219.8	\$380.0	\$942.2
% of AGI	1.2%	2.4%	2.8%	3.2%	4.0%	6.1%	3.7%

* Exclusive of Historic Structures Tax Credit and film credits
Source: HFS Rhode Island Revenue Facts, November, 2007

The House Fiscal Staff reports there were 486,209 tax filers in the State in tax year 2005, shown on Table 6. Those with Adjusted Gross Income (AGI) over \$200,000 accounted for 2.5 percent of all filers and 24.1 percent of statewide AGI, but 40.3 percent of total net tax liability. Conversely, tax filers with AGI of \$30,000 or less account for 48.7 percent of all filers, 11.6 percent of state AGI and 3.8 percent of total net tax liability.

In 2001 the General Assembly enacted a two-year phase-out on capital gains held longer than five years beginning with tax year 2007. In 2007 the General Assembly voted to freeze the capital gains drawdown at 1.67 percent of the federal rate. As Table 6 shows, a larger percentage of capital gains income accrues to taxpayers in higher income brackets. In tax year 2005, individuals with incomes of \$200,000 or higher incurred 74.9 percent of all capital gains liability while individuals with incomes of \$30,000 or less were liable for just 0.4 percent of capital gains liability. A recent Tax Foundation analysis that examined the demographic characteristics of taxpayers realizing capital gains notes that nearly 26 percent of taxpayers with capital gains income are over age 65 and over 38 percent are over age 55. In addition, the Tax Foundation found that over 30 percent of taxpayers between the ages of 65 and 74 claimed capital gains income in tax year 2004.

The personal income tax is the State's largest single source of general revenue, accounting for \$1,100.3 million, or 32.9 percent of total general revenues in the proposed FY 2009 budget. Over the last ten fiscal years Rhode Island's personal income tax collections have increased by \$342.7 million, or 45.2 percent.



5. Sales and Consumption Taxes

National Data – General Sales Taxes

General sales taxes across the country range from 2.9 percent in Colorado to a high of 7.0 percent in Rhode Island, Mississippi, New Jersey and Tennessee. However, 13 states have a combined state and local rate of 7.0 or greater, and when local taxes are considered, sales taxes range from a low of 1.45 percent in Alaska, which has no statewide sales tax, to 9.45 percent in Tennessee. Five states, Alaska, Delaware, Montana, New Hampshire and Oregon, have no state sales tax. Rhode Island also collects an additional 1.0 percent consumption tax on meals and beverages consumed on premises, which is returned to cities and towns.

	Per \$1k of Personal Income		Per Capita	
	Amount	Rank	Amount	Rank
U.S Average	\$26.54	-	\$944	-
Connecticut	17.59	40	868	23
Massachusetts	13.83	45	623	41
Rhode Island	21.87	37	800	30

SOURCE: US Bureau of the Census; the Bureau of Economic Analysis; RIPEC calculations
Does not include excise taxes on gasoline, alcohol or cigarettes.

When comparing rates, one must also look at the impact of exemptions to the sales tax code. Rhode Island exempts a number of categories from the sales tax, including food (excluding food intended for immediate consumption), prescription drugs, non-prescription drugs, services, clothing, and footwear. In total, Rhode Island law includes 59 categories of exemptions. Further, the State does not allow municipalities to levy a local-option sales tax. These two factors help explain why the

State has relatively low sales tax collections in comparison to the rest of the country, despite the high tax rate.

In FY 2006, Rhode Island ranked 37th in the country for sales tax collections per \$1,000 of personal income and 30th in the country on a per capita basis. In both cases, the State's sales tax collections were below the national average. In comparison to the other southern New England states, Rhode Island ranked above both Connecticut and Massachusetts on the personal income measure, but was below Connecticut when tax collections were measured on a per capita basis.

National Data – Excise Taxes

Excise taxes are taxes paid on the purchase of a specific good rather than on a general tax base. In most cases, excise taxes are included in the purchase price of the good, reducing the transparency of the tax system. All states have excise taxes on goods and services, the most common being gasoline, cigarettes, and alcohol. Often, these taxes are used to reduce consumption or to fund specific projects such as road construction.

All states levy an excise tax on gasoline, which ranges from a low of \$0.08/gallon in Alaska to \$0.45/gallon in California. Rhode Island's motor fuel tax of \$0.31/gallon ranked the state 14th highest in the country. Similarly, all states tax cigarettes, but at significantly different rates, ranging from \$0.07/pack in South Carolina to \$2.58/pack in New Jersey. Rhode Island's cigarette tax of \$2.46/pack was 45.2 percent higher than the national average. Different types of alcohol are taxed at different rates per gallon depending on the alcohol content. New Hampshire and Wyoming are the only states that do not levy a tax on spirits or table wine, but do collect a

tax on beer; Vermont does not levy a tax on spirits. Rhode Island has among the lowest excise tax rates on alcohol in the country.

When comparing excise taxes it is important to consider a variety of factors. For example, many states allow a local-option excise tax on gasoline, which impacts the overall cost to the consumer but might not appear in a state-to-state comparison of state levies on motor fuel. Another example is how states treat the sales of cigarettes. A number of policies, such as minimum markup provisions, general sales tax rates, and local-option sales taxes, will have an impact on the final price paid by the consumer. Further complicating comparisons is whether a state allows a sales tax to be applied at the final sale in addition to the excise taxes. For example, Rhode Island taxes beer sales while Massachusetts does not.

**Table 8
Consumption Taxes, January 2008**

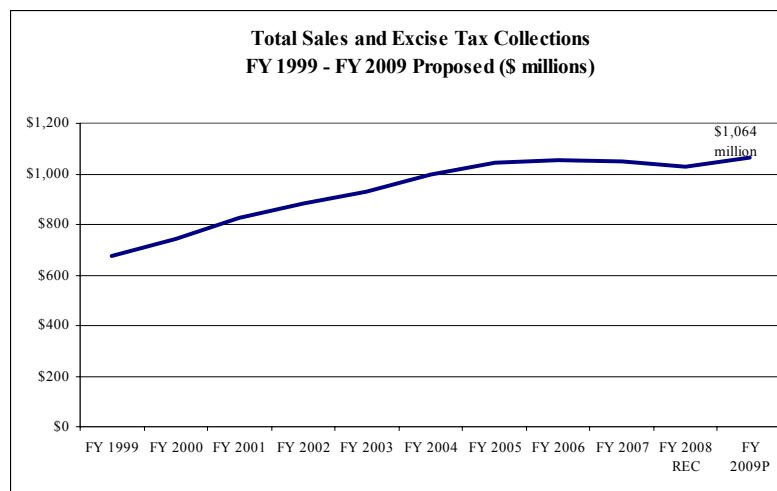
	Sales	Rank	Gas*	Rank	Cigarettes**	Rank	Spirits*	Rank	Table Wine*	Rank	Beer*	Rank
U.S Average	5.0%	-	\$0.25	-	\$1.11	-	\$5.59	-	\$0.73	-	\$0.27	-
Connecticut	6.0%	11	\$0.44	2	\$2.00	4	\$4.50	22	\$0.60	25	\$0.20	21
Massachusetts	5.0%	28	\$0.24	26	\$1.51	15	\$4.05	26	\$0.55	28	\$0.11	40
Rhode Island	7.0%	1	\$0.31	14	\$2.46	2	\$3.75	30	\$0.60	25	\$0.10	42

* per gallon; ** per pack
SOURCE: The Tax Foundation, RIPEC calculations

Rhode Island Data

General sales taxes are estimated to net \$888.4 million (26.5 percent) of total general revenues based on the Governor’s FY 2009 proposed budget. When excise taxes on gasoline, cigarettes, motor vehicles, and alcohol are added, State revenues from consumption taxes are expected to net \$1,064.2 million, or 30.4 percent of total general revenues, in the FY 2009 proposed budget.

Based on the Governor’s proposed budget, total consumption taxes (sales and excise) have increased 57.4 percent since FY 1999. The majority of the increase is from growth in sales tax revenues, which increased \$323.6 million (57.4 percent) during the ten-year period. Cigarette tax collections, which did not increase as much in absolute terms, are expected to net \$117.3 million in FY 2009 (a 90.4 percent increase over FY



1999 collections). One should note, the May 2008 Revenue Estimating Conference lowered estimates for general sales tax collections by \$11.6 million in FY 2008 and by \$25.6 in FY 2009 when compared to November estimates (1.3 percent and 2.9 percent, respectively).

6. Business Taxes

Business taxes include property taxes, sales and excise taxes, gross receipts taxes, corporate income and franchise taxes, unemployment payroll taxes, a range of licenses, charges and fees, and assessments on financial institutions, insurance companies, bank deposits and health care providers. Taxes paid by businesses to State and local governments are clearly varied and complex, but it is critical that the level at which businesses are taxed, and how they are taxed, are examined in the context of the State's long-term economic policy objectives and the impact on Rhode Island's economic competitiveness.

Rhode Island's business tax burden does not compare favorably on either a national or a regional scale. In October of 2007, the Tax Foundation ranked Rhode Island the worst business climate in the country for the third year in a row. The study ranks states on their performance on a number of business taxes and the personal income tax. Rhode Island ranked 48th for property taxes, 50th for unemployment taxes, 34th for corporate taxes, and 33rd for sales taxes.

Ernst & Young Study

Ernst & Young's most recent study on business taxation, entitled *Total State and Local Business Taxes – 50 State Estimate for Fiscal Year 2007* includes data on multiple business taxes at both the state and local level in order to show how heavily state and local governments rely on businesses to finance public services.

This study examines business property taxes, sales and excise taxes paid by businesses on their input purchases, gross receipts taxes, corporate income and franchise taxes, business and corporate license taxes, unemployment payroll taxes, the individual income taxes paid by owners of non-corporate (pass-through) businesses, and other state and local taxes that are the statutory liability of business taxpayers.

	Rhode Island		Connecticut		Massachusetts	
	Amount	Percent	Amount	Percent	Amount	Percent
Property Taxes	\$1.3	51.6%	\$2.9	39.8%	\$6.2	44.7%
Business Sales and Use	0.4	16.6%	1.5	20.1%	1.6	11.6%
Excise and Gross Receipts	0.2	9.8%	0.7	9.7%	0.9	6.4%
Corporate income	0.2	7.4%	0.8	11.1%	2.1	15.2%
Unemployment Insurance	0.2	8.2%	0.6	7.9%	1.7	12.2%
Individual Income*	0.2	3.2%	0.6	7.8%	0.9	6.6%
Licenses and Other	0.1	3.3%	0.3	3.6%	0.5	3.4%
Total	\$2.4	100.0%	\$7.4	100.0%	\$13.8	100.0%

* Only pass-through business income
SOURCE: Ernst and Young "Total State and Local Business Taxes - 50-State Estimate for Fiscal Year 2007"

Table 9 outlines how taxes, as defined in the study, paid by businesses in Rhode Island compare to business taxes in the other southern New England states. Property taxes accounted for the largest share of all state and local business tax collections in all three states. Nationally, property taxes

accounted for 35.1 percent of taxes paid by businesses. Sales tax revenues represented the second largest share in both Rhode Island and Connecticut, as was the case nationally; however, all three states were below the national average of 22.9 percent of total state and local business

taxes. Rhode Island's excise and gross receipts taxes were slightly higher than Connecticut and 3.4 percentage points higher than Massachusetts when measured as a percent of total taxes. However, nationally excise and gross receipts taxes accounted for 11.5 percent of total taxes paid by businesses.

According to the Ernst & Young study, Rhode Island businesses paid 54.2 percent of the total increase in State and local tax collections between FY 2002 and FY 2007. This compares to a 31.4 percent share in Connecticut and a 46.1 percent share in Massachusetts. Nationally, businesses paid 45.8 percent of the total increase in tax collections during this time period.

Businesses in Rhode Island paid 46.4 percent of total State and local taxes in FY 2007, which was similar to the national average of 44.1 percent, but higher than our neighboring states. In FY 2007 business taxes as a share of total state and local tax collections were 39.2 percent in Massachusetts and 34.0 percent in Connecticut.

As Table 10 shows, all business specific taxes amounted to \$360.9 million in FY 2007. Another category of taxes paid by businesses are general taxes, or taxes that businesses pay a portion of but are not levied specifically on businesses. The two most significant of these are sales and use taxes, and the property tax. According to additional estimates by Ernst and Young, businesses in Rhode Island pay approximately 46 percent of all sales taxes in the State, and 57 percent of all State property taxes. Table 10 outlines the share of taxes paid by businesses in Rhode Island for FY 2007; property taxes were the largest component of taxes levied on businesses followed by sales and use taxes.

Rhode Island Business Tax Collections

The business share of sales taxes increased from a 40 percent share (\$243.4 million) in FY 2000 to a 46 percent share (approximately \$400.0 million) in FY 2007. At the same time, the share of property taxes supported by businesses increased 24 percentage points, from a 33 percent share to almost 57 percent of all property taxes collected in the State. In part, this increase is due to the shifting of the property tax to commercial and industrial property through the use of classification structures designed to provide property tax relief to homeowners. According to FY 2008 tax rate data from the Office of Municipal Affairs, 17 municipalities had differential rates for residential and commercial property; all had higher rates for commercial property.

Tax	All State Taxes	Paid by Businesses	
		% of Total	\$ Amount
General Taxes*			
Sales and Use Taxes	\$873.2	46%	\$400.0
Property Taxes	1,790.8	57%	1,011.8
<i>Subtotal</i>	<i>\$2,664.0</i>	<i>53%</i>	<i>\$1,411.8</i>
Business-Specific Taxes**	\$360.9	100%	\$360.9
Unemployment Insurance	\$190.6	100%	\$190.6
Total***	\$4,320.0	45%	\$1,963.3

* Based on Ernst and Young "Total State and Local Business Taxes - 50-State Estimate for Fiscal Year 2007".

** Does not include income taxes paid by owners of pass-through businesses

*** Includes all State general revenue tax collections including personal income tax, excise taxes, and other miscellaneous taxes.

SOURCE: HFS "Rhode Island Revenue Facts, November, 2007"; COST, "Total State and Local Business Taxes - 50-State Estimate for Fiscal Year 2007"; Department of Labor and Training; State Budget documents; RIPEC Calculations.

In the Governor's FY 2009 proposed budget, total State-levied business taxes are anticipated to be \$394.7 million, or 11.8 percent of the general revenue budget. This represents an increase of 103.3 percent since FY 1999.

Table 11
FY 1999-FY 2009 Proposed
Business-Specific Tax Collections (\$ millions)

	FY 1999	FY 2009 P	Change	
			Amount	Percent
Business-Specific Taxes				
Business Corporations	\$74.4	\$160.3	\$85.9	115.5%
Public Utilities	66.3	104.0	37.7	56.7%
Financial Institutions	(1.6)	0.4	2.0	-
Insurance Companies	31.6	75.1	43.5	137.3%
Bank Deposits	(0.6)	1.7	2.3	-
Health Care Provider	24.0	53.2	29.3	122.0%
Total	\$194.1	\$394.7	\$200.6	103.3%

SOURCE: HFS "Rhode Island Revenue Facts, November, 2007"; State budget documents, RIPEC calculations

The largest component of business-specific taxes is the business corporations, or the corporate income and franchise tax, accounting for \$160.3 million (40.6 percent) of all estimated business-specific tax collections in the FY 2009 Proposed budget. This tax also accounts for the largest share of the increase in state-level business taxes over the past ten years; since FY 1999 revenue collections from the business corporations tax have increased 115.5 percent and account for 42.8 percent of the total share of the increase. Rhode Island's corporate income tax rate of 9.0 percent of net income is among the highest corporate tax rates in the

country. It is important to note that business corporation taxes do not account for taxes paid by a number of businesses, such as sole proprietorships, partnerships and S-corporations which report their income through their personal income taxes, and thus understate the total income tax liability paid by businesses.

The second largest component of Rhode Island business-specific taxes is the public utilities gross earning tax. Revenue from this tax is an estimated \$104.0 million in FY 2009, or 26.3 percent of all business-specific taxes collected by the State. Covered in this category are communications companies, gas and electric utility companies, steamboat or ferry companies, and public service cable corporations, all of whom pay a different tax rate based on the service they provide. This tax continues to present a specific problem for policymakers with regard to horizontal equity as companies that may provide similar services are taxed at differential rates (i.e., a cable company that provides telecommunications is taxed at a different rate than a telecommunications company even though they perform the same service).

The tax on insurance companies is the third largest share of business-specific taxes in the State, representing the largest increase in State business tax revenues since FY 1999. In the FY 2009 budget these assessments accounted for 21.7 percent of total business specific taxes. These revenues increased 137.3 percent, from \$31.6 million in FY 1999 to \$75.1 million in the FY 2009 Proposed budget. This increase can be attributed, in part, to two notable changes to the tax base over the past few years. Non-profit hospital service corporations and health maintenance organizations were specifically excluded from this levy; however, in 2007, the General Assembly removed this exemption, effective January 1, 2008. For-profit health management organizations are taxed as business corporations. In addition, prior to July 1, 2005 the Beacon Mutual Insurance Group was also exempt.

During the 2007 session legislation has been passed related to business taxes, including imposing a throwback rule in determining a company's Rhode Island corporate tax liability. The legislation requires Rhode Island corporations with transactions outside Rhode Island to add into the sales factor used in the multi-state apportionment formula the gross sales from shipments made from within Rhode Island into states where the corporation is not taxable. The Uniform Distribution of Income for Tax Purposes Act established a mechanism for dividing all of a business' income so that all states in which the business had transactions or nexus would receive an appropriate share for taxation purposes.

However, a business may be doing transactions with the federal government, foreign countries, or states that do not collect income taxes. Absence of a mechanism for capturing these sales would negate the purpose of the Act. For these sales, the Act included a "throwback" rule to reassign those sales to the state from which goods were shipped.

7. Property Taxes

National Data

Across the United States, property taxes, on average, account for the largest single portion of total tax collections; in FY 2006, property tax collections were 30.0 percent of all state and local tax collections for the United States as a whole. Similarly, property taxes are the largest source of state and local tax collections in the three southern New England states. However, New England relies more heavily on the property tax to fund local governments than does the rest of the country, in part because the majority of the states do not have, or only limited, the ability to levy a local-option sales tax, and they rely less on fees and other non-tax sources.

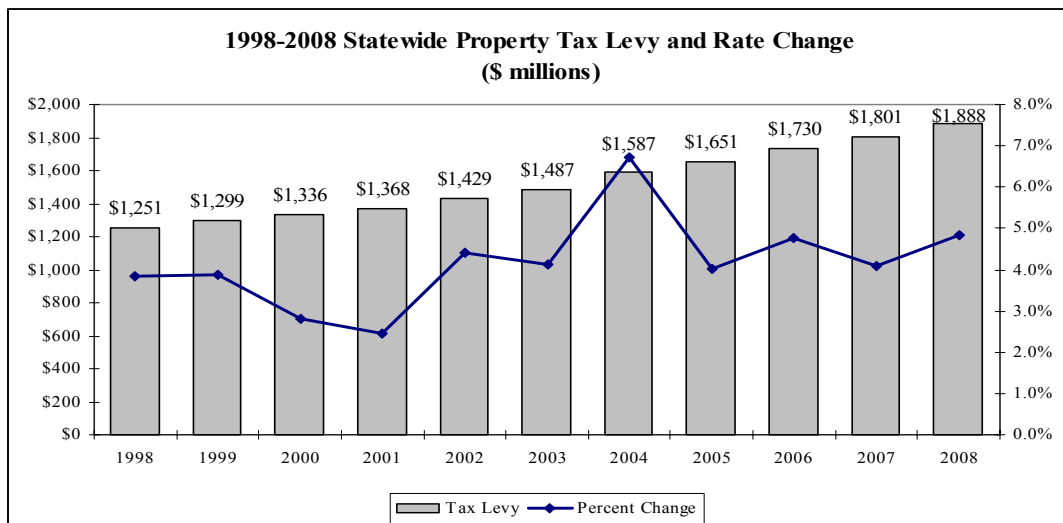
In FY 2006, Rhode Island property tax collections of \$48.32 per \$1,000 of personal income were 43.1 percent above the national average of \$33.77 per \$1,000 of personal income. Further, Rhode Island property tax collections as a percent of personal income were higher than in either Massachusetts or Connecticut. When property taxes were measured on a per capita basis, Rhode Island collections of \$1,768 per capita were 47.1 percent higher than the national average of \$1,202 per capita and were lower than in Connecticut but higher than in Massachusetts. Connecticut's property tax collections of \$2,159 per capita were the second highest in the country; only New Jersey had higher property tax collections in FY 2006.

	Per \$1k of Personal Income		Per Capita	
	Amount	Rank	Amount	Rank
U.S Average	\$33.77	-	\$1,202	-
Connecticut	43.76	8	2,159	2
Massachusetts	37.36	17	1,682	8
Rhode Island	48.32	6	1,768	7

SOURCE: US Bureau of the Census; the Bureau of Economic Analysis; RIPEC calculations

Rhode Island Data

In FY 2008 Rhode Island cities and towns anticipate total property tax collections of \$1,887.6 million. Since FY 1998, the statewide property tax levy in Rhode Island has increased \$637.0 million (50.9 percent). This represents an average annual increase of 4.2 percent.



In 2006 the General Assembly passed the “Property Tax Relief Act of 2006”, commonly referred to as S-3050. The legislation provided for a cap on the amount the property tax levy can grow annually beginning in FY 2008, changes the criteria for exemptions from the cap, limits the amount of money school committees can request from municipal funds, amended the definition of state mandates, and required the Office of Municipal Affairs to conduct a property tax study relating to tax treaties.

Table 13
FY 2008 Percent Increase in
Property Tax Levy by Municipality

Below Cap	Rate	At Cap	Permission to Exceed Cap	Rate
Barrington	5.09	Cranston	Charlestown	5.79
Bristol	2.44	Foster	E. Greenwich	6.85
Burrillville	4.61	Little Compton	Glocester	9.38
Central Falls	1.07	N. Smithfield	Tiverton	6.82
Coventry	4.99	Portsmouth	Westerly	7.72
Cumberland*	3.37	Scituate	W. Greenwich	8.74
East Providence**	4.01	Smithfield		
Exeter	5.07	S. Kingstown		
Hopkinton	3.55	W. Warwick		
Jamestown	5.15			
Johnston	3.28			
Lincoln	5.05			
Middletown	5.02			
Narragansett	3.22			
Newport	2.76			
New Shoreham	5.04			
N.Kingstown	4.55			
N. Providence	1.37			
Pawtucket	4.35			
Providence	5.16			
Richmond	5.18			
Warren	3.22			
Warwick	5.12			
Woonsocket	5.16			
Average	4.08	5.25		7.55

* Estimate; final levy will be set in May, 2008
 ** Estimate; final levy will be set June, 2008
 SOURCE: Division of Property Valuation, "Report on the Property Tax Cap, Fiscal Year 2008", October 1, 2007; RIPEC calculations

Cities and towns were restricted to a 5.25 percent increase in the total property tax levy in FY 2008, with the percent growth to be reduced one-quarter of a percent each subsequent year until FY 2013, when the levy may not grow more than 4.0 percent per year. The Office of Municipal Affairs notes that if each municipality were to increase their levy by the maximum amount allowable under the law (5.0 percent) in FY 2009, the total statewide levy would be \$1,981.5 million.

Table 13 outlines the municipalities that were below, at, and above the FY 2008 levy cap. Twenty-four of the State’s 39 municipalities, including all the urban core cities, were below the maximum levy increase for FY 2008. Nine communities were at the cap, and six received permission to exceed the maximum levy increase.

Property tax rates vary significantly across communities in the State. FY 2008 actual tax rates on residential real estate range from a low of \$3.17 per \$1,000 of assessed value in New Shoreham to a high of \$22.84 per \$1,000 of assessed value in

Providence. The statewide median actual rate was \$12.54 per \$1,000 of assessed value.

These rates do not take into account homestead exemptions, other taxing authorities (e.g., fire districts), or classification structures. For example, Providence has a homestead exemption equal to 50.0 percent of the value for owner-occupied houses, effectively reducing the taxpayer burden by half. As of FY 2007, nine communities had homestead exemptions; East Greenwich and Newport have enabling legislation but do not currently employ the exemption. Conversely, taxing authorities, such as fire districts, can increase the taxpayer burden. The fire district in East Greenwich assesses an additional tax of \$1.41 per \$1,000 of property value in addition to the \$13.54 per \$1,000 of assessed value applied by the town.

Like homestead exemptions, classification structures have been implemented in response to this rapid growth in residential property values compared to commercial and industrial property values. As a result, some of the burden is shifted away from homeowners to commercial and industrial real property. Application of property tax classifications continues to spread throughout the state; for FY 2007, 17 communities used some form of classification for real property. Thus, even though values for commercial and industrial property have not increased at the same pace as residential, a larger share of the property tax burden has shifted to businesses.

Fiscal Year	Residential	Commercial /Industrial	Motor Vehicle
1997	70.6%	19.5%	7.4%
2002	70.3%	19.1%	8.2%
2007	80.3%	12.4%	5.7%

SOURCE: Office of Municipal Affairs

According to the most recent published data, property values continue to shift away from commercial and industrial property to residential. As Table 14 shows, the commercial and industrial share of total property wealth in the State has decreased 7.1 percentage points between FY 1997 and FY 2007. At the same time, residential value increased 9.7 percentage points. As revaluations are conducted the decline in housing value will have an impact on the relative values of commercial v. residential property. It remains to be seen what the impact of these changes will be on taxes.

8. Three State Comparison

A recent report issued by the Center on Budget and Policy Priorities noted that across the country approximately 25 states are facing projected deficits for fiscal year 2009. The amount of the combined total deficits of the 22 states that have specific estimates available is approximately \$39 billion. Even states that do not project a deficit for the coming fiscal year are anticipating future fiscal problems as economies adjust to the tighter economic conditions.

Both Massachusetts and Rhode Island are facing significant budget shortfalls for the 2009 fiscal year. In Massachusetts, Governor Patrick is looking to close an anticipated \$1.2 billion (4.2 percent of FY 2008 general revenues). In Rhode Island, at the time the Governor proposed his FY 2009 budget, the shortfall was projected to be approximately \$385.0 million. Based on

Revenue Estimating Conference (REC) projections, if the General Assembly were to accept the Governor's revenue enhancements and expenditure reductions based on his proposed FY 2009 budget, they would have to enhance revenues by approximately \$20 million, reduce expenditures by the same amount, or a combination of both, to balance the FY 2009 budget. Of the three states, Connecticut is the only one that does not currently project a deficit in the upcoming fiscal years.

	RI	CT	MA
Personal Income Tax	42.3%	60.2%	60.7%
General Sales & Use Tax	34.1%	28.3%	14.8%
Other Taxes*	23.6%	11.5%	24.5%
Total Taxes as a % of General Revenue**	77.8%	77.8%	77.5%

*Includes business-specific and other taxes
 ** CT Total taxes is net of credits and refunds

Source: Rhode Island, Connecticut, and Massachusetts State Budget Documents, RIPEC calculations

Year	Rhode Island		Connecticut		Massachusetts	
	Burden	Rank	Burden	Rank	Burden	Rank
2002	11.4%	5	10.8%	10	9.8%	35
2003	11.5%	5	11.1%	8	10.0%	32
2004	11.8%	5	11.3%	8	10.2%	29
2005	12.4%	4	11.9%	9	10.5%	27
2006	12.5%	4	12.0%	8	10.5%	28
2007	12.7%	4	12.2%	8	10.6%	28

SOURCE: The Tax Foundation

All three states rely on broad-based taxes to support state government spending. Based on budgets submitted by all three Governors for FY 2009, taxes are expected to be over 77 percent of total general revenues in all three states. In FY 2009, all three states anticipate the majority of tax revenue to come

from the personal income tax. The portion of revenues from the personal income tax in Rhode Island is 18.4 percent less than in Massachusetts and 18.0 percent less than in Connecticut. Conversely, the portion of general sales and use taxes used to support State government in Rhode Island is 5.8 percent more than in Connecticut and 19.4 percent more than in Massachusetts. General sales and use taxes in all three states are anticipated to make up the second largest source of total tax revenue for FY 2009.

Table 16 shows the relative tax burden in all three states from 2002-2007. As the Table shows, Rhode Island continues to rank higher than both Massachusetts and Connecticut when tax burdens are measured as a percent of personal income.

9. Appendix

State and Local Tax Collections, FY 2006 and FY 1996

Total Tax Collections Per \$1,000 of Personal Income	Table 1
Total Tax Collections Per Capita	Table 2
Property Tax Collections Per \$1,000 of Personal Income	Table 3
Property Tax Collections Per Capita	Table 4
Individual Income Tax Collections Per \$1,000 of Personal Income	Table 5
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Tax Collections, Charges, and Misc. Gen. Rev. Per \$1,000 of Personal Income	Table 9
Tax Collections, Charges, and Misc. Gen. Rev. Per Capita	Table 10
How Rhode Island's Effective Personal Income Tax Burden Compares	Table 11
Taxpayer Profile Assumptions	Table 12

NOTE: The report and the following tables rely on multiple sources for comparative data including state and local government finances compiled by the United States Bureau of the Census for fiscal year 2006; national tax rates compiled by the Tax Foundation and the Federation of Tax Administrators; personal income data calculated by the Bureau of Economic Analysis; business tax information developed by Ernst and Young; taxpayer profiles developed jointly by RIPEC and the Rhode Island Society of CPAs; and Rhode Island-specific data compiled by the House Fiscal Staff and Office of Municipal Affairs.

In contrast to prior years, this report uses personal income data calculated on a fiscal year basis, averaging quarterly, annualized, and seasonally adjusted income estimates provided by the Bureau of Economic Analysis. For this reason RIPEC does not recommend comparing the calculations in this report to prior RIPEC reports.

Table 1
All State and Local Tax Collections
Per \$1,000 of Personal Income
Fiscal Years 2006 and 1996

	FY 2006		FY 1996	
	Amount	Rank	Amount	Rank
United States*	\$112.41	-	\$109.16	-
Wyoming	158.41	1	112.18	13
New York	150.33	2	140.98	2
Alaska	146.12	3	148.31	1
Maine	140.23	4	125.98	5
Louisiana	137.17	5	99.32	40
Hawaii	135.44	6	128.28	4
Vermont	130.84	7	119.77	7
New Mexico	124.35	8	119.19	8
New Jersey	120.66	9	114.13	11
Rhode Island**	119.79	10	112.69	12
Wisconsin	119.41	11	128.90	3
West Virginia	118.98	12	110.77	19
California	117.27	13	109.72	24
Nebraska	115.87	14	110.62	20
Ohio	115.64	15	109.14	25
Indiana	115.61	16	101.28	38
North Dakota	115.04	17	111.39	17
Minnesota	114.95	18	125.26	6
Connecticut	114.94	19	118.91	9
Utah	113.39	20	110.81	18
Arkansas	112.96	21	102.54	35
Kansas	112.79	22	110.42	22
Kentucky	111.38	23	111.68	15
Delaware	111.27	24	111.74	14
Pennsylvania	110.44	25	104.46	32
Illinois	109.21	26	105.37	30
North Carolina	108.72	27	102.05	37
Maryland	107.92	28	103.57	33
Mississippi	107.68	29	108.65	26
Washington	107.50	30	115.21	10
Michigan	107.13	31	107.31	29
Iowa	107.03	32	111.65	16
Idaho	106.95	33	107.42	28
Montana	106.91	34	108.53	27
Georgia	105.99	35	104.75	31
Massachusetts	105.69	36	110.33	23
Arizona	105.24	37	110.56	21
Oregon	104.48	38	98.80	42
Nevada	104.12	39	103.48	34
Florida	103.88	40	98.66	43
Virginia	101.81	41	95.18	46
Oklahoma	101.10	42	102.52	36
South Carolina	99.44	43	99.41	39
Missouri	97.93	44	98.33	44
Texas	95.56	45	98.92	41
Colorado	94.57	46	96.15	45
Alabama	92.91	47	89.72	48
Tennessee	90.64	48	86.71	50
South Dakota	89.90	49	94.76	47
New Hampshire	89.50	50	88.02	49

* US average includes District of Columbia

**Rhode Island Ranked 8th in FY 2005

Source: US Bureau of the Census, the Bureau of Economic Analysis, RIPEC calculations

Table 2
All State and Local Tax Collections
Per Capita
Fiscal Years 2006 and 1996

	FY 2006		FY 1996	
	Amount	Rank	Amount	Rank
United States*	\$4,000	-	\$2,597	-
New York	6,405	1	3,987	1
Wyoming	6,090	2	2,422	24
Connecticut	5,670	3	3,831	2
Alaska	5,469	4	3,791	3
New Jersey	5,422	5	3,436	4
Hawaii	4,823	6	3,245	5
Massachusetts	4,759	7	3,139	6
Maryland	4,592	8	2,786	11
California	4,491	9	2,705	14
Vermont	4,413	10	2,577	18
Maine	4,393	11	2,600	16
Rhode Island**	4,384	12	2,738	13
Minnesota	4,353	13	3,128	7
Delaware	4,240	14	2,822	9
Illinois	4,064	15	2,757	12
Wisconsin	4,013	16	2,947	8
Pennsylvania	3,944	17	2,512	20
Washington	3,935	18	2,795	10
Virginia	3,933	19	2,341	27
Nevada	3,913	20	2,661	15
Nebraska	3,888	21	2,531	19
Kansas	3,781	22	2,478	22
Ohio	3,768	23	2,503	21
North Dakota	3,724	24	2,238	34
Florida	3,687	25	2,330	28
Louisiana	3,667	26	1,946	46
Indiana	3,635	27	2,222	35
Colorado	3,623	28	2,418	25
New Mexico	3,568	29	2,263	30
Michigan	3,568	30	2,588	17
Iowa	3,439	31	2,448	23
New Hampshire	3,435	32	2,254	32
North Carolina	3,389	33	2,251	33
Oregon	3,351	34	2,259	31
Georgia	3,313	35	2,354	26
Utah	3,248	36	2,147	38
West Virginia	3,235	37	1,995	42
Arizona	3,234	38	2,295	29
Kentucky	3,224	39	2,166	37
Texas	3,222	40	2,128	40
Montana	3,197	41	2,027	41
Oklahoma	3,145	42	1,987	43
Missouri	3,134	43	2,181	36
Arkansas	3,112	44	1,933	47
Idaho	3,070	45	2,138	39
South Carolina	2,880	46	1,981	44
South Dakota	2,866	47	1,965	45
Tennessee	2,855	48	1,878	49
Mississippi	2,811	49	1,894	48
Alabama	2,776	50	1,786	50

* US average includes District of Columbia

**Rhode Island Ranked 9th in FY 2005

Source: US Bureau of the Census, the Bureau of Economic Analysis, RIPEC calculations

Table 3
State and Local Property Tax Collections
Per \$1,000 of Personal Income
Fiscal Years 2006 and 1996

	FY 2006		FY 1996	
	Amount	Rank	Amount	Rank
United States*	\$33.77	-	\$33.18	-
New Hampshire	55.09	1	59.36	1
Vermont	54.58	2	53.68	2
Maine	53.39	3	52.72	4
New Jersey	52.41	4	53.28	3
Wyoming	49.75	5	41.93	11
Rhode Island**	48.32	6	47.83	5
New York	44.30	7	45.24	8
Connecticut	43.76	8	44.15	9
Wisconsin	42.96	9	46.10	7
Indiana	42.35	10	31.44	25
Texas	40.99	11	37.05	16
Illinois	40.96	12	40.36	13
Michigan	40.23	13	30.68	27
Alaska	38.64	14	43.83	10
Nebraska	37.65	15	41.76	12
Montana	37.49	16	47.25	6
Massachusetts	37.36	17	37.36	15
Florida	35.89	18	34.73	20
Iowa	35.39	19	38.11	14
Kansas	35.33	20	34.42	21
Ohio	33.68	21	31.10	26
Pennsylvania	32.00	22	29.98	28
South Carolina	31.65	23	26.50	35
Virginia	31.27	24	29.52	30
Oregon	31.04	25	31.84	24
North Dakota	30.82	26	31.88	23
South Dakota	30.78	27	36.74	17
Georgia	30.56	28	29.01	31
Washington	29.52	29	34.81	19
Idaho	29.42	30	27.54	34
Arizona	29.15	31	33.88	22
Colorado	28.93	32	29.55	29
Mississippi	27.33	33	25.51	37
Minnesota	27.29	34	35.38	18
Nevada	26.76	35	21.31	41
California	26.66	36	28.99	32
Missouri	26.66	37	22.01	39
Utah	25.69	38	26.02	36
North Carolina	25.30	39	21.40	40
Maryland	24.95	40	27.82	33
Tennessee	21.69	41	19.66	43
Louisiana	21.55	42	15.94	46
Hawaii	21.47	43	20.46	42
West Virginia	21.42	44	22.10	38
Kentucky	19.89	45	18.73	44
Arkansas	17.05	46	15.93	47
New Mexico	17.01	47	14.56	49
Delaware	16.32	48	16.34	45
Oklahoma	16.19	49	15.85	48
Alabama	14.02	50	11.74	50

* US average includes District of Columbia

**Rhode Island Ranked 6th in FY 2005

Source: US Bureau of the Census, the Bureau of Economic Analysis, RIPEC calculations

Table 4
State and Local Property Tax Collections
Per Capita
Fiscal Years 2006 and 1996

	FY 2006		FY 1996	
	Amount	Rank	Amount	Rank
United States*	\$1,202	-	\$789	-
New Jersey	2,355	1	1,604	1
Connecticut	2,159	2	1,422	3
New Hampshire	2,115	3	1,520	2
Wyoming	1,913	4	905	13
New York	1,887	5	1,279	4
Vermont	1,841	6	1,155	6
Rhode Island**	1,768	7	1,162	5
Massachusetts	1,682	8	1,063	9
Maine	1,673	9	1,088	8
Illinois	1,524	10	1,056	10
Alaska	1,446	11	1,121	7
Wisconsin	1,444	12	1,054	11
Texas	1,382	13	797	19
Michigan	1,340	14	740	24
Indiana	1,332	15	690	31
Florida	1,274	16	820	18
Nebraska	1,263	17	956	12
Virginia	1,208	18	726	26
Kansas	1,184	19	772	20
Pennsylvania	1,143	20	721	27
Iowa	1,137	21	836	17
Montana	1,121	22	883	15
Colorado	1,108	23	743	23
Ohio	1,097	24	713	29
Washington	1,081	25	845	16
Maryland	1,062	26	748	22
Minnesota	1,034	27	884	14
California	1,021	28	715	28
Nevada	1,005	29	548	35
North Dakota	998	30	640	33
Oregon	996	31	728	25
South Dakota	981	32	762	21
Georgia	955	33	652	32
South Carolina	916	34	528	36
Arizona	896	35	703	30
Missouri	853	36	488	39
Idaho	845	37	548	34
North Carolina	789	38	472	40
Hawaii	764	39	517	37
Utah	736	40	504	38
Mississippi	713	41	445	41
Tennessee	683	42	426	42
Delaware	622	43	413	43
West Virginia	582	44	398	44
Louisiana	576	45	312	46
Kentucky	576	46	363	45
Oklahoma	504	47	307	47
New Mexico	488	48	276	49
Arkansas	470	49	300	48
Alabama	419	50	234	50

* US average includes District of Columbia

**Rhode Island Ranked 7th in FY 2005

Source: US Bureau of the Census, the Bureau of Economic Analysis, RIPEC calculations

Table 5
State and Local Individual Income Tax Collections
Per \$1,000 of Personal Income
Fiscal Years 2006 and 1996

	FY 2006		FY 1996	
	Amount	Rank	Amount	Rank
United States*	\$26.20	-	\$24.08	-
New York	48.87	1	42.60	1
Oregon	48.28	2	41.60	2
Maryland	42.42	3	39.83	3
California	37.99	4	27.30	16
Ohio	37.61	5	35.20	8
Massachusetts	37.39	6	39.41	4
Minnesota	36.02	7	37.43	5
North Carolina	35.52	8	32.46	11
Hawaii	35.02	9	34.26	10
Connecticut	34.57	10	25.13	26
Delaware	34.54	11	35.30	7
Maine	33.70	12	28.43	15
Kentucky	33.12	13	35.07	9
Utah	32.48	14	32.02	12
Wisconsin	32.47	15	36.40	6
Virginia	31.62	16	27.11	19
Idaho	30.30	17	29.79	14
Pennsylvania	28.54	18	25.81	22
Georgia	28.30	19	27.11	18
Montana	28.16	20	23.87	31
New Jersey	27.84	21	20.07	36
West Virginia	27.10	22	23.22	32
Arkansas	26.90	23	25.86	21
Nebraska	26.79	24	23.90	30
Kansas	26.79	25	24.58	29
Iowa	26.64	26	27.16	17
Vermont	26.64	27	22.63	33
Rhode Island**	26.56	28	24.60	28
Missouri	26.51	29	25.76	24
Oklahoma	25.89	30	24.83	27
Indiana	25.83	31	31.35	13
Colorado	24.24	32	25.34	25
South Carolina	22.52	33	25.99	20
Louisiana	22.34	34	14.08	40
Alabama	21.62	35	20.14	35
New Mexico	20.82	36	20.96	34
Michigan	20.27	37	25.78	23
Illinois	18.61	38	19.39	37
Arizona	17.99	39	17.29	38
Mississippi	16.97	40	16.49	39
North Dakota	13.60	41	12.69	41
New Hampshire	1.65	42	1.76	42
Tennessee	1.04	43	1.04	43
Alaska	-	44	-	44
Florida	-	44	-	44
Nevada	-	44	-	44
South Dakota	-	44	-	44
Texas	-	44	-	44
Washington	-	44	-	44
Wyoming	-	44	-	44

* US average includes District of Columbia

**Rhode Island Ranked 21st in FY 2005

Source: US Bureau of the Census, the Bureau of Economic Analysis, RIPEC calculations

Table 6
State and Local Individual Income Tax Collections
Per Capita
Fiscal Years 2006 and 1996

	FY 2006		FY 1996	
	Amount	Rank	Amount	Rank
United States*	\$899	-	\$554	-
New York	2,000	1	1,176	1
Maryland	1,754	2	1,043	3
Connecticut	1,648	3	799	9
Massachusetts	1,629	4	1,101	2
Oregon	1,496	5	881	6
California	1,405	6	651	14
Minnesota	1,328	7	888	5
Delaware	1,261	8	917	4
Hawaii	1,206	9	845	7
New Jersey	1,204	10	596	18
Ohio	1,199	11	791	10
Virginia	1,187	12	644	15
North Carolina	1,069	13	673	11
Wisconsin	1,063	14	804	8
Maine	1,036	15	571	22
Pennsylvania	991	16	609	17
Rhode Island**	955	17	586	20
Kentucky	932	18	657	13
Colorado	896	19	595	19
Utah	893	20	570	23
Nebraska	874	21	509	28
Kansas	869	22	535	27
Vermont	869	23	477	31
Georgia	859	24	577	21
Idaho	834	25	551	26
Iowa	833	26	566	24
Missouri	825	27	558	25
Montana	814	28	436	34
Indiana	791	29	668	12
Oklahoma	770	30	458	33
Arkansas	716	31	463	32
West Virginia	714	32	411	35
Illinois	673	33	488	30
Michigan	664	34	614	16
South Carolina	631	35	490	29
Alabama	625	36	385	36
Louisiana	583	37	267	40
New Mexico	575	38	375	37
Arizona	528	39	337	38
North Dakota	433	40	235	41
Mississippi	431	41	273	39
New Hampshire	62	42	45	42
Tennessee	32	43	22	43
Alaska	-	44	-	44
Florida	-	44	-	44
Nevada	-	44	-	44
South Dakota	-	44	-	44
Texas	-	44	-	44
Washington	-	44	-	44
Wyoming	-	44	-	44

**Rhode Island Ranked 16th in FY 2005

Source: US Bureau of the Census, the Bureau of Economic Analysis, RIPEC calculations

Table 7
State and Local General Sales Tax Collections
Per \$1,000 of Personal Income
Fiscal Years 2006 and 1996

	FY 2006		FY 1996	
	Amount	Rank	Amount	Rank
United States*	\$27.52	-	\$27.73	-
Louisiana	58.93	1	43.07	5
Hawaii	53.19	2	49.06	3
Washington	52.56	3	56.07	1
Arkansas	48.10	4	37.29	10
New Mexico	45.74	5	51.69	2
Tennessee	44.44	6	42.03	6
Wyoming	42.50	7	37.28	11
Arizona	41.27	8	39.93	8
Mississippi	41.24	9	40.75	7
South Dakota	37.12	10	35.34	13
Nevada	36.81	11	44.34	4
Florida	35.61	12	36.08	12
Utah	34.52	13	39.84	9
Georgia	33.41	14	34.17	14
Kansas	31.55	15	30.17	18
Oklahoma	29.93	16	33.22	15
California	29.93	17	30.63	17
Texas	29.66	18	33.12	16
Alabama	28.89	19	29.42	20
Nebraska	28.57	20	27.24	24
New York	27.59	21	26.17	28
Indiana	27.59	22	23.05	37
Colorado	27.32	23	29.08	21
Missouri	27.12	24	29.96	19
South Carolina	27.10	25	28.28	23
Idaho	26.73	26	27.23	25
Maine	25.64	27	26.36	27
North Carolina	25.45	28	25.38	31
North Dakota	25.18	29	26.15	29
Ohio	25.14	30	23.60	35
Michigan	24.45	31	28.84	22
Iowa	24.38	32	25.50	30
Wisconsin	24.16	33	25.01	32
Minnesota	23.65	34	26.48	26
West Virginia	23.51	35	24.66	33
Kentucky	23.30	36	24.52	34
Rhode Island**	22.25	37	19.71	40
Pennsylvania	19.92	38	20.40	39
Illinois	19.53	39	20.75	38
Connecticut	18.19	40	23.50	36
New Jersey	18.16	41	18.21	41
Vermont	16.22	42	14.70	45
Virginia	14.93	43	16.33	42
Maryland	14.57	44	15.06	44
Massachusetts	14.30	45	15.34	43
Alaska	-	46	7.51	46
Delaware	-	46	-	46
Montana	-	46	-	46
New Hampshire	-	46	-	46
Oregon	-	46	-	46

* US average includes District of Columbia

**Rhode Island Ranked 37th in FY 2005

Source: US Bureau of the Census, the Bureau of Economic Analysis, RIPEC calculations

Table 8
State and Local General Sales Tax Collections
Per Capita
Fiscal Years 2006 and 1996

	FY 2006		FY 1996	
	Amount	Rank	Amount	Rank
United States*	\$944	-	\$637	-
Washington	1,847	1	1,309	1
Hawaii	1,832	2	1,209	2
Wyoming	1,560	3	770	9
Louisiana	1,539	4	816	7
Tennessee	1,359	5	874	5
Nevada	1,331	6	1,032	3
Arkansas	1,280	7	668	20
New Mexico	1,263	8	926	4
Florida	1,215	9	818	6
Arizona	1,210	10	779	8
South Dakota	1,169	11	689	15
New York	1,129	12	722	13
California	1,107	13	731	11
Mississippi	1,048	14	675	19
Kansas	1,023	15	657	21
Georgia	1,014	16	727	12
Colorado	1,010	17	683	18
Texas	958	18	688	16
Utah	949	19	709	14
Nebraska	932	20	580	25
Oklahoma	890	21	613	24
Minnesota	872	22	628	23
Connecticut	868	23	747	10
Indiana	845	24	491	36
Missouri	844	25	649	22
Alabama	836	26	562	26
North Dakota	803	27	485	37
Ohio	802	28	530	31
Michigan	800	29	687	17
Rhode Island**	800	30	470	39
Wisconsin	791	31	553	27
Maine	788	32	529	32
New Jersey	786	33	541	28
North Carolina	766	34	526	33
Iowa	762	35	532	30
South Carolina	760	36	533	29
Idaho	735	37	504	35
Illinois	706	38	523	34
Pennsylvania	692	39	481	38
Kentucky	656	40	459	40
Massachusetts	623	41	428	42
West Virginia	619	42	437	41
Maryland	602	43	394	43
Virginia	560	44	388	44
Vermont	529	45	310	45
Alaska	-	46	179	46
Delaware	-	46	-	46
Montana	-	46	-	46
New Hampshire	-	46	-	46
Oregon	-	46	-	46

* US average includes District of Columbia

**Rhode Island Ranked 29th in FY 2005

Source: US Bureau of the Census, the Bureau of Economic Analysis, RIPEC calculations

Table 9
All State and Local Tax Collections,
Charges and Misc. General Revenues
Per \$1,000 of Personal Income
Fiscal Years 2006 and 1996

	FY 2006		FY 1996	
	Amount	Rank	Amount	Rank
United States*	\$169.11	-	\$162.01	-
Alaska	355.00	1	497.72	1
Wyoming	263.59	2	229.03	2
Louisiana	209.96	3	167.20	23
New York	209.76	4	193.65	4
New Mexico	208.95	5	200.76	3
Indiana	198.32	6	154.27	38
West Virginia	193.83	7	167.83	21
Maine	193.21	8	172.15	17
Delaware	191.72	9	174.34	14
Hawaii	190.99	10	181.59	8
Utah	189.32	11	183.39	7
Vermont	184.62	12	169.47	19
South Carolina	182.56	13	169.38	20
North Dakota	179.79	14	187.39	6
Nebraska	178.59	15	174.87	13
Oregon	175.77	16	178.17	10
California	175.52	17	163.43	25
Mississippi	173.65	18	175.20	11
Iowa	173.06	19	175.13	12
Montana	172.03	20	171.82	18
Ohio	172.00	21	154.36	37
Wisconsin	171.78	22	179.65	9
Idaho	170.83	23	174.11	15
Arkansas	169.39	24	156.75	32
Minnesota	168.86	25	190.75	5
Washington	165.70	26	173.56	16
Rhode Island**	165.65	27	150.87	41
Kansas	165.59	28	165.38	24
Kentucky	165.27	29	167.45	22
North Carolina	164.92	30	158.48	30
Alabama	164.57	31	154.44	36
Michigan	164.24	32	156.27	33
New Jersey	163.31	33	155.94	34
Florida	161.96	34	157.17	31
Pennsylvania	160.61	35	147.55	43
Oklahoma	160.06	36	159.35	28
Nevada	157.24	37	163.32	26
Georgia	156.29	38	162.74	27
Colorado	155.34	39	154.58	35
Illinois	154.10	40	146.09	44
Virginia	153.84	41	142.84	46
Arizona	152.96	42	158.64	29
Massachusetts	151.61	43	151.80	40
Texas	149.81	44	153.78	39
Tennessee	148.31	45	136.23	49
Missouri	147.85	46	139.54	48
Maryland	146.24	47	142.38	47
Connecticut	145.66	48	145.59	45
South Dakota	140.27	49	150.60	42
New Hampshire	131.58	50	127.92	50

* US average includes District of Columbia

**Rhode Island Ranked 26th in FY 2005

Source: US Bureau of the Census, the Bureau of Economic Analysis, RIPEC calculations

Table 10
All State and Local Tax Collections,
Charges and Misc. General Revenues
Per Capita
Fiscal Years 2006 and 1996

	FY 2006		FY 1996	
	Amount	Rank	Amount	Rank
United States*	\$5,802	-	\$3,724	-
Alaska	12,860	1	11,880	1
Wyoming	9,674	2	4,729	3
New York	8,584	3	5,345	2
New Jersey	7,065	4	4,630	4
Delaware	7,002	5	4,531	6
Connecticut	6,947	6	4,627	5
Massachusetts	6,604	7	4,241	9
Hawaii	6,579	8	4,476	8
California	6,491	9	3,899	12
Minnesota	6,226	10	4,525	7
Indiana	6,073	11	3,285	33
Maryland	6,046	12	3,727	15
Vermont	6,021	13	3,572	24
Rhode Island**	5,956	14	3,597	22
Maine	5,938	15	3,457	30
Nebraska	5,825	16	3,722	16
Washington	5,822	17	4,050	10
Virginia	5,776	18	3,395	31
New Mexico	5,772	19	3,596	23
Colorado	5,743	20	3,630	20
North Dakota	5,731	21	3,476	27
Nevada	5,684	22	3,802	13
Wisconsin	5,623	23	3,971	11
Pennsylvania	5,576	24	3,480	26
Illinois	5,574	25	3,680	18
Florida	5,526	26	3,565	25
Ohio	5,485	27	3,468	28
Louisiana	5,482	28	3,167	39
Oregon	5,448	29	3,774	14
Iowa	5,409	30	3,651	19
Michigan	5,376	31	3,720	17
Kansas	5,372	32	3,603	21
Utah	5,206	33	3,262	34
South Carolina	5,116	34	3,195	37
West Virginia	5,105	35	2,972	44
Montana	4,973	36	3,138	40
North Carolina	4,964	37	3,286	32
New Hampshire	4,898	38	3,234	35
Texas	4,841	39	3,192	38
Oklahoma	4,761	40	2,940	46
Alabama	4,761	41	2,948	45
Georgia	4,742	42	3,465	29
Idaho	4,701	43	3,221	36
Kentucky	4,652	44	3,137	41
Missouri	4,603	45	3,025	43
Tennessee	4,535	46	2,832	49
Arkansas	4,509	47	2,808	50
Arizona	4,486	48	3,096	42
South Dakota	4,416	49	2,936	47
Mississippi	4,411	50	2,903	48

* US average includes District of Columbia

**Rhode Island Ranked 13th in FY 2005

Source: US Bureau of the Census, the Bureau of Economic Analysis, RIPEC calculations

Table 11
How Rhode Island's Effective Income Tax Burden Compares
Tax Year 2007

Married, Filing Jointly, 2 Dependents (ages 5 and 3)

	Rhode Island		Connecticut		Massachusetts	
	Est. Tax	ETR	Est. Tax	ETR	Est. Tax	ETR
\$25,000	\$95	0.4%	\$7	0.0%	\$715	2.9%
40,000	657	1.6%	312	0.8%	1,470	3.7%
75,000	1,784	2.4%	3,016	4.0%	3,280	4.4%
100,000	3,018	3.0%	4,558	4.6%	4,706	4.7%
150,000	6,071	4.0%	7,120	4.7%	7,266	4.8%
200,000	9,476	4.7%	9,670	4.8%	10,070	5.0%
250,000	13,208	5.3%	12,225	4.9%	12,677	5.1%
500,000	34,686	6.9%	24,959	5.0%	26,112	5.2%
1,000,000	78,075	7.8%	51,650	5.2%	54,467	5.4%

Head of Household, 1 Dependent

	Rhode Island		Connecticut		Massachusetts	
	Est. Tax	ETR	Est. Tax	ETR	Est. Tax	ETR
\$25,000	\$389	1.6%	\$63	0.3%	\$782	3.1%
40,000	952	2.4%	704	1.8%	1,770	4.4%
75,000	2,421	3.2%	3,191	4.3%	3,625	4.8%
100,000	3,835	3.8%	4,684	4.7%	4,950	5.0%
150,000	6,949	4.6%	7,200	4.8%	7,616	4.8%
200,000	10,658	5.3%	9,750	4.9%	10,319	4.9%
250,000	14,945	6.0%	12,305	4.9%	13,027	4.9%
500,000	35,609	7.1%	24,980	5.0%	26,463	5.0%
1,000,000	78,075	7.8%	51,730	5.2%	54,818	5.5%

Single Filer, No Dependents

	Rhode Island		Connecticut		Massachusetts	
	Est. Tax	ETR	Est. Tax	ETR	Est. Tax	ETR
\$25,000	\$610	2.4%	\$350	1.4%	\$1,223	4.9%
40,000	1,173	2.9%	1,619	4.0%	2,014	5.0%
75,000	3,010	4.0%	3,551	4.7%	3,869	5.2%
100,000	4,431	4.4%	4,804	4.8%	5,194	5.2%
150,000	7,811	5.2%	7,320	4.9%	7,860	5.2%
200,000	11,497	5.7%	9,870	4.9%	10,563	5.3%
250,000	15,642	6.3%	12,425	5.0%	13,271	5.3%
500,000	36,538	7.3%	25,100	5.0%	26,707	5.3%
1,000,000	78,075	7.8%	51,850	5.2%	55,009	5.5%

SOURCE: RISCPA, RIPEC calculations

Table 12
Taxpayer Profile Assumptions

Income									
Wages - Taxpayer	\$15,000	\$25,000	\$50,000	\$75,000	\$125,000	\$175,000	\$225,000	\$475,000	\$1,000,000
Wages - Spouse	10,000	15,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Interest Income	0	0	50	100	200	700	1,250	3,000	8,000
Dividend Income	0	0			200	700	1,250	3,000	8,000
Total:	\$25,000	\$40,000	\$75,050	\$100,100	\$150,400	\$201,400	\$252,500	\$506,000	\$1,041,000
Deductions									
State Income Tax	Standard	Standard	\$1,875	\$3,250	\$6,400	\$9,950	\$14,250	\$36,430	\$82,700
Real Estate Tax			3,750	5,000	6,250	7,500	8,750	15,000	20,000
Mortgage Interest			7,650	9,600	11,250	12,150	13,125	18,000	20,000
Contributions			590	860	1,500	2,100	2,600	4,960	7,600
Miscellaneous			200	24					
Total:	Standard	Standard	\$14,065	\$18,734	\$25,400	\$31,700	\$38,725	\$74,390	\$130,300

SOURCE: RISCPA and RIPEC