

Economic Progress Institute (EPI)'s Initial Response to the Governor's Proposed FY2027 Budget

The Economic Progress Institute (EPI) applauds Governor McKee for including in his recommended FY2027 budget a number of proposals to help struggling Rhode Islanders while also raising revenue to protect the state in the face of relentless and detrimental federal cuts.

Specifically, the Governor's proposal to create a fourth tax bracket – an additional three percent on taxable income above \$1 million – is **a good start** towards increasing tax fairness in Rhode Island. It also provides additional revenue to prevent cuts in critical programs. However, the Revenue for Rhode Islanders proposal would set the new bracket at \$640,000 (the cutoff for the top one percent) rather than \$1 million and generate more revenue. \$203 million annually versus \$136 million annually is better for Rhode Island.

EPI also welcomes the Governor's call to establish the state's first permanent and refundable Child Tax Credit of \$325 per child annually. The evidence shows that the enhanced federal Child Tax Credit during COVID led to a massive drop in childhood poverty rates. Although a much smaller state version will not have as large an effect, it will still make an important difference for at least tens of thousands of Rhode Island families. This is **a good start**, but policymakers should also consider increasing the state's Earned Income Tax Credit, which stands at only 16 percent of the federal credit, while Massachusetts and Connecticut set theirs at 40 percent. This refundable tax credit makes a difference for working families.

Given the threats to affordable healthcare coverage, EPI also supports the Governor's Marketplace Affordability Program to spend \$9.5 million to assist thousands of Rhode Islanders who recently lost enhanced federal subsidies to help them purchase coverage through HealthSource Rhode Island. The Governor's team estimates that this will help 20,000 Rhode Islanders maintain their coverage. This is also **a good start**, though even more needs to be done to keep healthcare affordable.

EPI supports one part of the Governor's budget proposal on Social Security taxation while opposing the other part. We support the proposal to exempt from state taxation those low-income Rhode Islanders who are collecting social security benefits and are below full retirement age, at a cost of only \$3 million per year. EPI sees this as **a good start**, but we should stop at this good start and not take it any further. We oppose the plan to phase out altogether state taxation of Social Security income. Rhode Island already exempts this income from taxation for those with income of \$107,000 or below, and \$133,750 or below for joint married filers. This proposal would result in a loss of an estimated \$60 million in revenue each year by FY2030. If we exempt all Social Security income, this will include such income even for millionaires. EPI believes we should assess taxes based upon ability to pay and not upon membership in a group.

Likewise, EPI supports the investment of \$19.3 million to support personnel and information technology to help Rhode Islanders maintain their SNAP and Medicaid benefits. They are eligible but are in danger of losing these benefits because of new federal paperwork requirements to prove they are working or excused from work requirements.

EPI plans to take a deeper dive into the Governor's FY2027 budget proposals in relation to additional federal decisions and our income tax revenue review at the virtual [Revenue Roundtable](#) on January 29, 2026.

EPI envisions and fights for a Rhode Island where concrete and consistent investments are made in people. A state where we all have healthcare when we're sick, a safe place to live, childcare that doesn't break the bank, nutritious food to eat, and access to opportunity regardless of race, gender, disability, age, or zip code. To learn more about us, visit www.economicprogressri.org or scan the accompanying QR code.



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