



Revenue Roundtable

**The May Caseload and Revenue and Estimating Conferences,
the Top 1 Percent Tax, and the FY2027 Budget**

May 18, 2026



The Economic
Progress Institute

Agenda

- Budget Update Overview
- Caseload Estimating Conference
- Revenue Estimating Conference
- Federal Revenue Threats
- State Revenue Threats
- Rhode Island's Revenue Future & Budget Gaps
- State Revenue Opportunities
- Meeting the Moment
- What's Next?

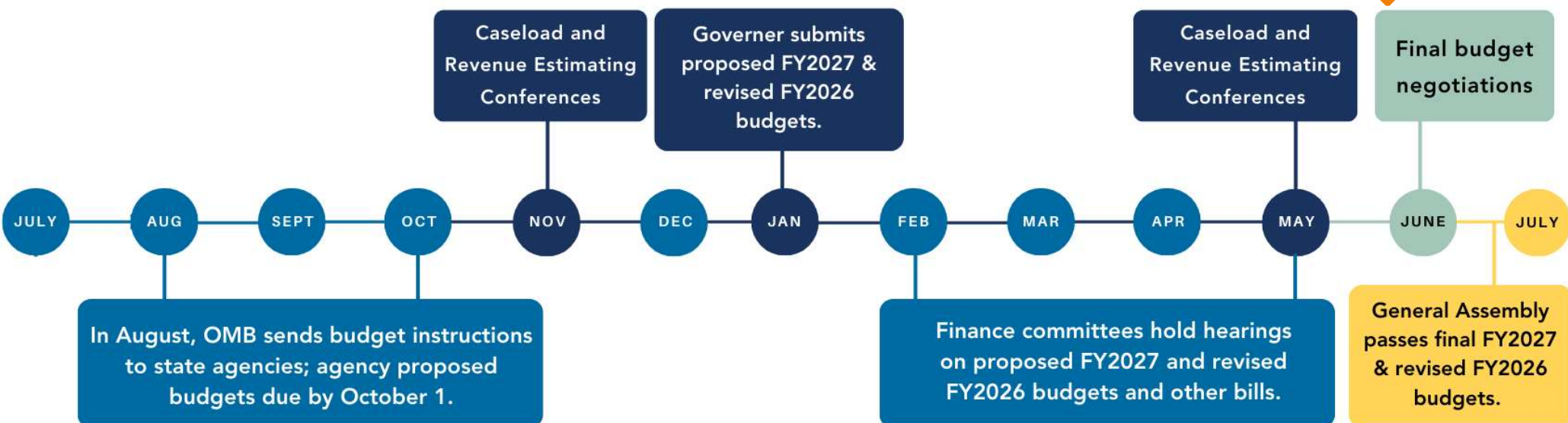
RI FY2027 Budget Cycle

THE RHODE ISLAND STATE BUDGET CYCLE

FY2027: JULY 2026 - JUNE 2027

FY2026 (revised): JULY 2025 - JUNE 2026

YOU ARE HERE



Budget Update Overview

The results of the May Caseload and Revenue Estimating Conferences (and related adjustments):

For FY2026 (current fiscal year) and for FY2027 (fiscal year beginning July 1, 2026), there is total additional revenue available in the amount of

\$221.6 million.

Good news. There remain challenges ahead.

Caseload Estimating Conference

- The Caseload Estimating Conference concerns *counts* of individuals eligible for service and *costs* to provide these services in three areas:
 - Cash Assistance
 - BHDDH (Behavioral Healthcare, Developmental Disabilities & Hospitals)
 - Medicaid
- The enacted budget must include these costs and therefore shape what revenues remain available for other uses.

Caseload Estimating Conference

<u>Cash Assistance Programs</u>	Audited FY2025 Budget	Enacted FY2026 Budget	Nov 2026 Consensus for FY2026	May 2026 Consensus for FY2026	May 2026 Consensus for FY2027
RI Works Caseload Count	9,362	9,875	9,400	8,056	6,600
RI Works Expenditures (Federal Funds Only)	\$34.2M	\$37.6M	\$34.6M	\$29.8M	\$24.6M
Federal Funds All Cash Assistance Programs	\$109.2M	\$109.2M	\$101.0M	\$118.1M	\$115.1M
General Revenue All Cash Assistance Programs	\$28.5M	\$28.8M	\$28.6M	\$28.6M	\$28.6M

Caseload Estimating Conference

<u>All Caseload Programs</u>	Audited FY2025 Budget	Enacted FY2026 Budget	Nov 2025 Consensus for FY2026	May 2026 Consensus for FY2026	Nov 2025 Consensus for FY2027	May 2026 Consensus for FY2027
Total Costs	\$4,162.0M	\$4,531.6M	\$4,489.8M	\$4,455.6M	\$4,595.2M	\$4,639.0M
Restricted Receipts	\$9.5M	\$7.4M	\$7.4M	\$7.4M	\$7.4M	\$10.9M
Federal Funds	\$2,600.8M	\$2,874.3M	\$2,841.5M	\$2,813.9M	\$2,914.4M	\$2,942.9M
General Revenue	\$1,551.7M	\$1,649.9M	\$1,640.9M	\$1,634.4M	\$1,673.4M	\$1,685.1M
General Revenue Change from November CEC to May CEC			\$6.5M savings		\$11.7M higher costs	
Total Change vs November CEC			\$5.2M higher costs			

Revenue Estimating Conference

<u>General Revenue Category</u>	Audited FY2025 Budget	Enacted FY2026 Budget	Nov 2025 Consensus for FY2026	May 2026 Consensus for FY2026	Nov 2025 Consensus for FY2027	May 2026 Consensus for FY2027
Personal Income Taxes	\$1,972.3M	\$2,000.9M	\$2,056.4M	\$2,123.3M	\$2,130.8M	\$2,165.8M
General Revenue Change from November REC to May REC			\$66.9M more		\$35.0M more	
General Business Taxes	\$681.1M	\$716.6M	\$672.4M	\$744.9M	\$705.6M	\$734.2M
General Revenue Change from November REC to May REC			\$72.5M more		\$28.6M more	

- Business Taxes include Corporate Tax, Public Utilities, Financial Institutions, Insurance Companies, Bank Deposits, and Health Care Provider taxes.

Revenue Estimating Conference

<u>General Revenue Category</u>	Audited FY2025 Budget	Enacted FY2026 Budget	Nov 2025 Consensus for FY2026	May 2026 Consensus for FY2026	Nov 2025 Consensus for FY2027	May 2026 Consensus for FY2027
Sales & Use Taxes	\$1,672.7M	\$1,726.6M	\$1,726.0M	\$1,724.0M	\$1,774.4M	\$1,776.0M
General Revenue Change from November REC to May REC			\$2.0M less		\$1.6M more	
Lottery	\$433.6M	\$441.0M	\$451.3M	\$446.3M	\$453.1M	\$447.9M
General Revenue Change from November REC to May REC			\$5.0M less		\$5.2M less	

- In addition to regular Sales tax, there are taxes on Cigarettes and Alcohol.
- Other Taxes include Estate and Transfer, Racing/Athletics, and Realty Transfer.
- Other Revenue sources include Departmental Receipts and Unclaimed Property.

Revenue Estimating Conference

<u>General Revenue Category</u>	Audited FY2025 Budget	Enacted FY2026 Budget	Nov 2025 Consensus for FY2026	May 2026 Consensus for FY2026	Nov 2025 Consensus for FY2027	May 2026 Consensus for FY2027
Total General Revenue	\$5,612.0M	\$5,766.6M	\$5,795.8M	\$5,950.4M	\$5,706.6M	\$5,785.1M
General Revenue Change from November REC to May REC			\$154.6M more		\$78.8M more	
Add in FY2026 Amount of \$232.5M for Hospital Tax for FY2027						\$6,017.9M
General Revenue Change from May REC Estimates from FY2026 to FY2027					\$67.5M more (1.1% growth)	

Note: The media reports of \$233M more in revenue is the total of the \$154.6M and \$78.8M but does not include changed Caseload costs or other modifications.

Caseload & Revenue Estimating Conferences

- When we take results of CEC & REC and then make modifications for items in the Governor's proposed FY2027 budget and for deposits into the Rainy Day Fund, which must be 5% of whatever total General Revenues are, we get the following:

\$156.4M more for FY2026
+ \$65.2M more for FY2027
= \$221.6M more overall

The Difference Between *What* and *What*?

When we say there is a \$221.6 million in *additional* revenue, this is compared to what?

- Compared to what the November Caseload and Revenue Estimating Conferences agreed the Governor had available to spend in his proposed FY2027 Budget (and revised FY2026 Budget).
- This means that the General Assembly has this much more available for FY2026 and FY2027 combined.
- Does not include additional revenue-raising (or cuts).

Federal Revenue Threats

- **\$275M+** from Federal Medicaid Funding (FY2028).
- **Up to \$65M** in new annual SNAP admin costs and benefit costs (depending on SNAP error rate).
- **\$60M** in ACA subsidies that Congress allowed to expire.
- Possible total of **\$400M** in lost funding for FY2028
- Phased cuts to the Hospital Provider Tax:
 - \$12.2M in FY2028, \$31.9M in FY2029, \$60.3M in FY2030, \$104.4M in FY2031, **\$150.9M** in FY2032

State Revenue Threats

Repealing the Corporate Minimum Tax

- Businesses that do not pay the regular Corporate Income Tax or are liable have a loss must pay an annual \$400 Corporate Minimum Tax.
- Legislation to eliminate this would cost **\$35 million** in General Revenue.
- While \$400 might help some of the smallest businesses, the \$35 million will not lead to any new hiring.

State Revenue Threats

Repealing or Weakening the Estate Tax

- Affects at most a few hundred estates each year.
- Some wealth never gets taxed otherwise.
- A \$2 million estate is taxed \$16,000, under 1% of value.
- Despite claims that everyone owing the tax has left or will leave the state soon, the revenue continues to increase: **\$96.2 million for FY2026 and \$93.5 million for FY2027.**

State Revenue Threats

Exemption from Taxation of Tipped/Overtime Income

- OBBBA/H.R.1 exempted some tipped and overtime income from federal taxation.
- Rhode Island does not automatically match this for state taxation, though there is legislation to do so.
- Many low-income tipped workers already make so little that they would not benefit at all from this.

State Revenue Threats

Exemption from Taxation of Tipped/Overtime Income

- Does not make sense to privilege this sort of income to exempt from taxation but not the wage income of other workers.
- Total General Revenue cost to Rhode Island would be **\$36 million**: \$12 million from tipped income taxation and \$20 million from overtime taxation.

State Revenue Threats

Eliminating Taxation of Social Security Income

- Rhode Island already exempts taxation of Social Security income if taxable income is below \$107,000 for single filers and \$133,750 for joint filers in Tax Year 2025.
- 91 percent of benefit from this proposal would go to top 20 percent in income; 35 percent of benefit would go to top five percent, and close to seven percent of benefit would go to top one percent.

State Revenue Threats

Eliminating Taxation of Social Security Income

- Revised estimates show that full exemption will cost **almost \$70 million** per year in General Revenue:

Item	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
R&D Tax Provisions	\$22.6	\$10.9	\$8.0	\$2.8	\$2.0
Income Tax Tier – \$1.0M +3%	67.1	135.3	138.4	142.3	146.3
Social Security Exemption*	(3.0)	(17.8)	(47.7)	(66.7)	(68.7)

(from House Fiscal Office presentation, 5/13/26)

State Revenue Threats

A “Modest Proposal” to Cut Personal Income Tax Rates by 10 percent over 5 Years

- Would lower Rhode Island’s 3.75 percent, 4.75 percent, and 5.99 percent Personal Income Tax bracket rates by 10 percent over 5 years.
- Annual General Revenue loss of **\$227 million** when fully in effect (ITEP estimate).
- Fiscal note estimate for FY2033: loss of **\$326.9 million**.
- Although this across-the-board cut might seem proportional and fair, it is not.

State Revenue Threats

A “Modest Proposal” to Cut Personal Income Tax Rates by 10 percent over 5 Years

Year	Revenue Loss	Benefit to Top 1%	Benefit to Top 5%	Benefit to Top 20%	Benefit to Lowest 20%
2027	\$44 million	28.1%	49.3%	74.2%	0.2%
2028	\$92 million	27.1%	48.1%	73.4%	0.2%
2029	\$136 million	27.4%	48.5%	73.7%	0.2%
2030	\$183 million	27.1%	48.1%	73.5%	0.2%
2031	\$227 million	27.3%	48.3%	73.6%	0.2%

State Revenue Threats

A “Modest Proposal” to Cut Personal Income Tax Rates by 10 percent over 5 Years

- Top 1 percent will get an average of **\$10,099 annually**, while those among the lowest 20 percent in income getting any tax break at all will get an average of **\$13 per household per year**.

State Revenue Threats

- **\$ 35M:** Corporate Minimum Taxation
- **\$ 95M:** Estate Taxation
- **\$ 36M:** Tips/Overtime Taxation
- **\$ 68M:** Social Security Taxation
- **\$ 227M:** Proposal to Cut Personal Income Taxation
- **\$ 461M:** Potential Total ANNUAL Revenue Loss
- **\$??M:** 30 Years of Tax Credits for Data Centers

Additional Revenue Issues

- Returning **\$18M** to supplemental Rainy Day Fund for monies used for debt service reserve fund for Fatima & Roger Williams Hospitals.
- March student enrollment data revealed increase of 3,015 compared with October for count of students in poverty.
 - Funding formula would require \$5.3M more.
 - Governor's FY2027 budget proposed increasing Student Success Factor rate from 40% to 43%, costing \$15.6 more, for a total of **\$20.9M**.

Additional Revenue Issues

- OBBBA/H.R.1 rules indicate RI needs to repeal \$4 per member monthly Primary Care Assessment fee enacted in FY2026 budget, creating loss of **\$13.3M** for FY2027.
- Unanticipated costs from the blizzard?
- Unknown possible FY2026 operating deficits at DCYF and BHDDH?
- **Total costs over \$50M to be subtracted from surplus?**

Rhode Island's Revenue Future

What does this \$221.6 million mean for our revenue future?

- The estimated **budget gap** (structural deficit) for **FY2028 is \$237 million**.
- The estimated **budget gap** is estimated to increase to **\$500 million by FY2031**.
- Not clear this takes into account all federal threats to Medicaid funding.

Rhode Island's Revenue Future

What does this \$221.6 million mean for our revenue future?

- Most of the additional revenue (\$156.4 million, or 70.1%) is in FY2026. Even though it is available for FY2027, it does not indicate anything about future revenue growth.
- The growth in estimated GR from FY2026 to FY2027 is only \$67.5 million, or 1.1% year-over-year.

State Revenue Opportunities

Repeal of the Jobs Development Act

- Old program that is closed to new applicants, does not use best practices, does not appear to achieve goals, and has no sunset date.
- Beneficiaries include CVS, which paid \$0 in federal taxes in 2025 on billions in profits.
- Repealing program would **save \$3.2 million - \$11.9 million** each year.

State Revenue Opportunities

Decoupling from Federal Tax Provisions

- These provisions largely benefit those with the most without bringing economic benefits to Rhode Island.
- More savings by decoupling from original programs.

Budget Impact of H.R. 1 Items- 5 year

Item	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
General Tax Impacts net of R&D decouple	(13.8)	(12.7)	(13.6)	(13.1)	(15.1)

(from House
Fiscal Office
presentation,
5/13/26)

State Revenue Opportunities

Top 1 Percent Personal Income Tax Proposal

- Assesses additional 3 percent tax only on income above a Top 1 percent cutoff of approximately \$640,000.
- Estimated annual revenue of \$203 million.
- Increases tax fairness, moving Rhode Island's overall tax structure modestly in a more equitable direction.

Meeting the Moment

- The good news from the Caseload and Revenue Estimating Conferences falls short of what we need to do to **prepare for the challenges ahead.**
- Despite how scary seemingly large numbers are to some people, **the budget has not grown unreasonably over the last two or three decades.**
- We must enact a balanced budget, so **we are not spending revenue we are not taking in.**

Meeting the Moment



- Our **Rainy Day Funds contain only 6 percent of General Revenues**, well below best practices & what our New England neighbors have saved.
- EPI analysis of 2006 vs 2026 tax rules indicates that the **2006 introduction of the alternative flat tax was a large tax cut for those with the highest incomes**, and that the 2011 tax system changes solidified these cuts, resulting in **the loss of possibly a few hundreds of millions of dollars in tax revenue each year since**.

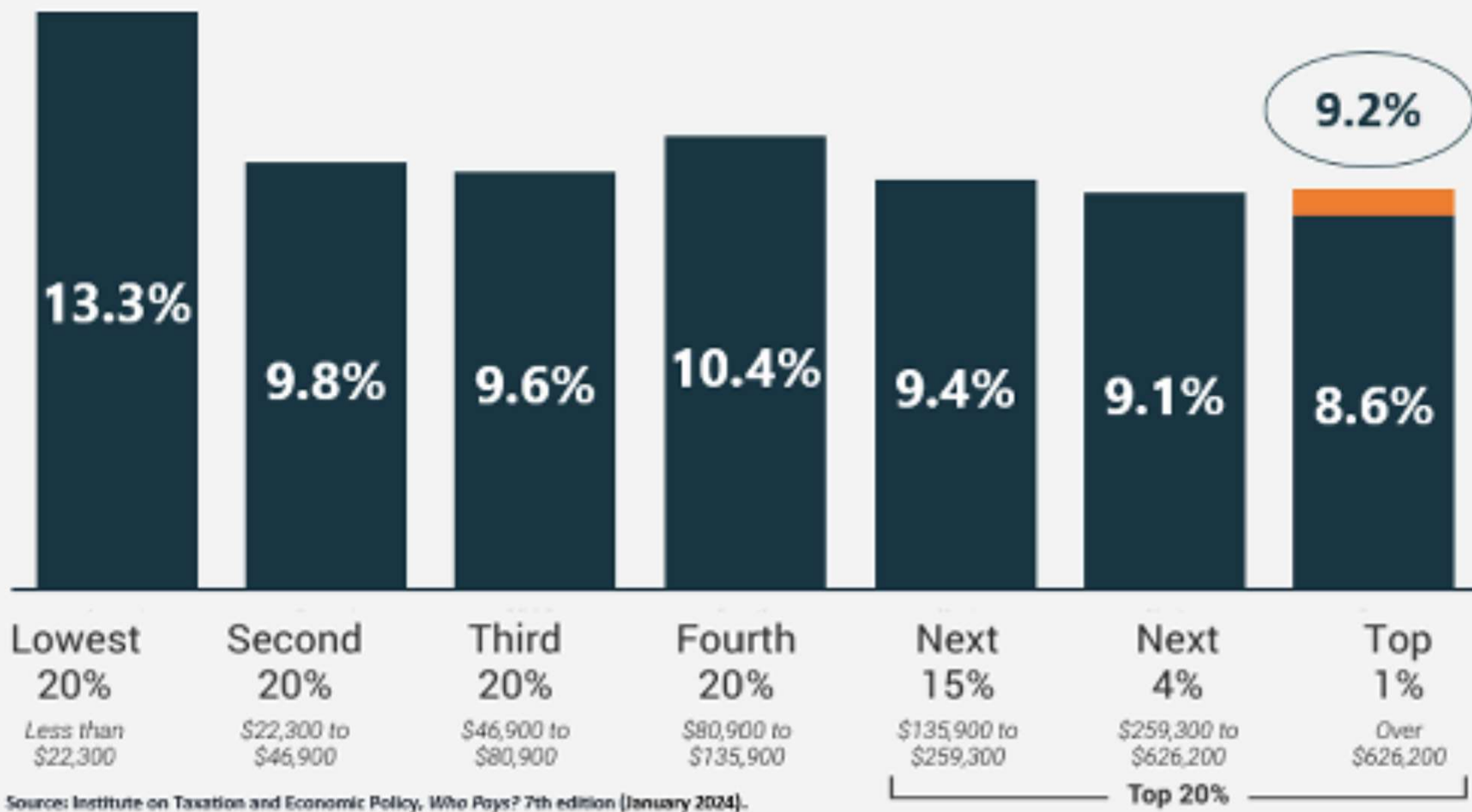
Meeting the Moment

- On top of this tax cut from 20 years ago, those in **the Top 1 percent in Rhode Island are receiving an average annual tax cut of close to \$59,000**, a tax cut first started in the 2017 TCJA and set to expire in 2025 but made permanent and expanded by OBBBA/H.R.1 (\$35,000 extended + \$24,000 new).
- **We would increase tax fairness and raise sustainable revenue by enacting a Top 1 percent tax – and on balance the Top 1 percent would still be better off.**

TOTAL TAX (as PERCENTAGE OF INCOME)

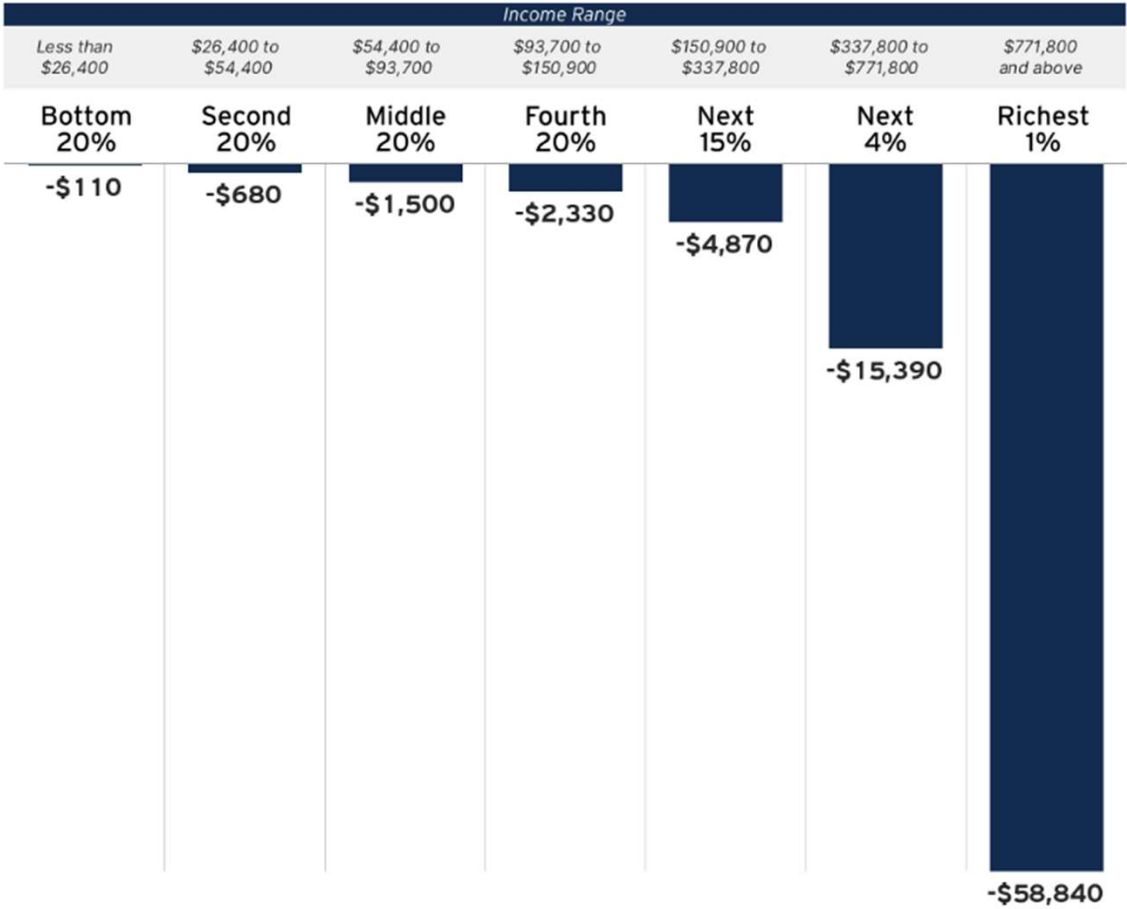
Includes Income, Property, and Sales/Excise Taxes

-  Estimated New Percentage
-  Addition w/New 3% Surtax
-  Current Percentages



Impact of Trump Megabill in Rhode Island

Average tax change by income group in 2026



Source: Institute on Taxation and Economic Policy Tax Microsimulation Model, July 2025

Examples of estimated tax payments from adding new 3% surtax for Top 1%*

Taxable Income	Current Top Rate of 5.99%	With Proposed +3%	Additional Annual Taxes	Average Tax Savings from H.R.1 which made permanent the 2017 TCJA Tax Cuts**
\$400 thousand	\$20,828	\$20,828	\$0	\$15,390
\$500 thousand	\$26,818	\$26,818	\$0	
\$625 thousand	\$34,305	\$34,305	\$0	
\$640 thousand	\$35,204	\$35,204	\$0	\$58,840
\$650 thousand	\$35,803	\$36,103	\$300	
\$750 thousand	\$41,793	\$45,093	\$3,300	
\$1 million	\$56,768	\$67,568	\$10,800	
\$1.1 million	\$62,758	\$76,558	\$13,800	
\$1.5 million	\$86,718	\$112,518	\$25,800	
\$2 million	\$116,668	\$157,468	\$40,800	

*These examples use RI's 2026 tax brackets; the inflation-adjusted amounts for 2027 will most likely make the Top 1% cut-off higher than \$640,000 and the additional annual tax estimates will therefore most likely be lower.

**Modeling of tax savings for Rhode Islanders was produced by the Institute on Taxation and Economic Policy (July 2025).

Meeting the Moment

- **Tax policy plays a marginal role in decisions to move from one state to another**, and no one has brought any evidence that changes in state income tax policy, up or down, has ever generated waves of migration or major shifts in business activity.
- **People do not bring most of their income with them when they move** from one state to another.
- **Fairer taxes and sustainable revenue will make us *more competitive***, while cutting taxes to boost our ranking on the Tax Foundation Index will not.

Meeting the Moment

- Opponents of the Top 1 percent proposal have tried to scare policymakers into inaction, without providing evidence for their **trickle-down theory of economics**, and without providing evidence of negative effects to raising revenue and investing in Rhode Islanders.
- They've warned of harm to small business owners who claim Pass-Through Entity (PTE) income on their taxes – without telling you that most filers with PTE income have nowhere close to enough profits for such a tax to affect them – **that's not how PTE taxation works, and they know it.**

Meeting the Moment

- Keeping taxes low for the Top 1 percent or for millionaires does nothing to help the large majority of small and micro business owners, many of whom are genuinely struggling to get by.
- These small and micro business owners **will pay nothing additional in taxes** with either proposal.
- Yet they **will benefit** if we **invest in reliable public transit, child care assistance, healthcare, education, and workforce training, among other policy areas.**

What's Next?

We're in the **closing weeks of budget negotiations.**

- For better or for worse, the crystallization of the final budget is not a deliberative process open broadly to multiple perspectives and voices.
- While the Governor's proposed budget provides the raw material, House and Senate leadership – after receiving input from many stakeholders – do most of the negotiations and decision-making behind closed doors – but **you still can make a difference!**

What's Next?

- The budget emerges from the House Finance Committee, but most members of this committee see the budget only a few hours before the rest of us do.
- Too often, **important policy changes – some of which cost little or no money – get left on the table** because they do not receive enough attention.
- Some of these can make **critical differences in the lives of Rhode Islanders.**
- **Over the coming weeks, you indeed have the opportunity to influence the final, enacted budget.**

Questions & Discussion

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