



**Testimony in OPPOSITION to Exempting All Social Security Income from State  
Taxation: S-245**

**Senate Committee on Finance**

**May 15, 2025**

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The **Economic Progress Institute** **opposes S-245**, which would exempt all from Rhode Island state taxation all Social Security income.

We oppose this well-intentioned proposal for three reasons:

- Rhode Island **cannot afford the revenue loss from this bill**. According to an estimate prepared for the Economic Progress Institute by the Institute on Taxation and Economic Policy (ITEP), **the annual cost of this proposal would be \$50 million**, and given the existing budget concerns and the threat of substantial cuts in federal assistance to states, we cannot afford this now. This estimate is in line with a fiscal note on a 2024 proposal to exempt up to 80% of Social Security income from state taxation; that note estimated that the **annual cost after full implementation would be \$41.9 million**.<sup>1</sup>
- Current law already exempts from state taxation the Social Security income of low-income and modest-income Rhode Islanders, those with federal AGI under a certain amount (\$101,000 for single filers and \$126,250 for joint filers in Tax Year 2023). Therefore, this full exemption would do nothing to help the lowest-income Rhode Islanders. Indeed, ITEP estimates that **75% of the benefit from this legislation would go to the Top 20% in income**, those with total income of \$151,000 and above. Furthermore, **27% of the benefit would go to the Top 5%**, and **more than 5% of the benefit would go to the Top 1%**. The **average income** of those benefiting would be **\$215,700**.
- At EPI, we believe tax liability should be based on amount of income and not on membership categories. **This bill would provide exemptions and tax savings even for millionaires who simply do not need this tax break**. At a time of budget gaps and possible cuts to critical services, we should not be providing tax breaks to high-income households.

For these reasons, we urge the committee *not* to send this legislation to the Senate floor.

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<sup>1</sup> <https://www.rilegislature.gov/housefiscalreport/2020/2024-H%207588.PDF>.