

Testimony in OPPOSITION to No Taxes on Tips and Overtime: H-8438
House Committee on Finance
May 7, 2026
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The Economic Progress Institute **opposes H-8438** which would mandate that Rhode Island conform to the federal tax provision to exempt taxation of some tip income and overtime income.

Our opposition is based upon the following grounds:

- **Many low-income tipped workers already earn too little to owe any taxes and so would not benefit at all from this legislation.**
- There is **no good justification for treating tipped or overtime wages as a special type of income, deserving of preferential tax treatment as compared with regular wages.**
- A side effect of this legislation could be that some employers might decide not to increase wages or even decide to lower wages of tipped workers, thinking these workers are getting an advantage.
- The Institute on Taxation and Economic Policy (ITEP) estimates that **Rhode Island will lose \$36 million in tax revenue** by enacting this measure: \$16 million from the taxation of tips and \$20 from the taxation of overtime.

Also, please remember that by remaining “decoupled” from the federal tax provisions, Rhode Islanders can still go ahead and claim the larger federal tax benefit.

We urge you *not* to send this legislation to the House floor.