



Rhode Island Small Businesses Will Benefit from Raising Taxes on Top 1%

This year, a proposal to raise \$128.2 million in new revenue for Rhode Island by increasing the personal income taxes on the top 1% of earners will benefit small business growth and job creation.

Most small businesses do not have taxable income within the new bracket (which begins at about \$475,000). The median income for self-employed Rhode Islanders is \$53,794.¹ Overall, between 93% and 96% of business owners would not have enough taxable income to be affected by this proposal.²

A majority of small business owners will see NO change in their taxes. The proposed tax would only apply to businesses whose income **after** all expense deductions is above \$475,000. **For almost all small business owners, there will be no additional taxes.** A business owner with \$500,000 in net, taxable income will pay only an extra \$750 under this proposal.

State tax policy and rates have little impact on small business creation and growth. Business decisions, including hiring, are driven by demand. Business owners rarely cite taxes as a major factor in location and relocation decisions.

Fair tax policy and increased revenue help make Rhode Island more attractive to small businesses. When money flows well, workers and their families have funds to spend back into the local economy, consumer demand increases, and small businesses benefit. By increasing Rhode Island's personal income tax rate by a modest three cents on each dollar of income above \$475,000 we can bring in more than \$100 million annually. This revenue will provide education, job, and community investments that will benefit Rhode Island's small businesses and small business owners.



There are more than 100,000 small businesses, employing more than 229,000 people—and more than 7,000 of these businesses are minority-owned. The median income for small business owners is \$53,794.¹

¹ SBA 2020 Small Business Profile for RI, using (pre-pandemic) 2018 data from the Census Bureau's American Community Survey: https://www.sba.gov/sites/default/files/resource_files/2020-Small-Business-Economic-Profile-RI.pdf.

² Economic Progress Institute analysis of IRS Statistics of Income (SOI) Table 2. Individual Income and Tax Data, by State and Size of Adjusted Gross Income, Tax Year 2018, <https://www.irs.gov/statistics/soi-tax-stats-historic-table-2>.