

# The rich will come to Rhode Island anyway

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If the rich are fleeing Rhode Island for neighboring states -- as Michael McMahon, executive director of the Economic Development Corporation writes ("Look at Conn., Mass.: How tax system ravages R.I.," Commentary, March 10) -- it is not apparent from data that the Poverty Institute has examined.

While it is true that Rhode Island has fewer top earners (defined as those earning more than \$200,000) per capita than do Connecticut and Massachusetts, both the numbers of high earners and their average earnings have been increasing in recent years in Rhode Island at a faster pace than in neighboring states.

From 1997 to 2003, according to the Internal Revenue Service, the number of high earners in Rhode Island increased by 60 percent -- compared with 37 percent in Connecticut, 51 percent in Massachusetts, and 55 percent in New Hampshire.

The combined income of these top Rhode Island earners increased over the same period by 41 percent -- compared with 32 percent in Connecticut, 42 percent in Massachusetts, and 27 percent in New Hampshire.

The Institute for Taxation and Economic Policy's widely respected state-tax model estimates that the top-one-percent income earners in Rhode Island saw their average income increase from \$757,000, in 2002, to \$923,000, in 2005: an increase of \$166,000 in just three years!

Nor is it quite true that high earners can cut their taxes in half by driving 20 minutes to Massachusetts. Effective tax rates are only slightly higher in Rhode Island than in Massachusetts. For business executives, the tax differential is probably offset by Rhode Island's lower land costs, far lower corporate-tax collections, and ease of doing business in the Ocean State.

IRS data also refute the contention that low-income earners flock to Rhode Island. The IRS reports that the number of people with incomes below \$30,000 in Rhode Island fell 7.5 percent from 1997 to 2003 -- about the same rate of decline as in Connecticut and Massachusetts. IRS migration data show that taxpayers moving into Rhode Island from Massachusetts consistently reported higher median income than those moving in the other direction.

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