



MEDIA ADVISORY

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RIC's Poverty Institute says state's tax structure needs reform

State fiscal advisors today concluded their semi-annual exercise at revenue and caseload estimations with a report that gives lawmakers updated projections on incoming dollars and the growth in spending of various state services.

Results from this year's two-week Revenue Estimating Conference that took place at the State House showed that the state faces an additional revenue shortfall of \$89.6 million dollars more than the original \$360 million shortfall projected last November. The problem was compounded by the recent announcement that the expected funds from a settlement with AIG insurance - an estimated \$80 million - will not be available for the coming fiscal year.

According to Kate Brewster, executive director of the Poverty Institute at Rhode Island College, this is yet more evidence that the revenue system does not adequately meet the demands of a modern Rhode Island.

“The findings at the May revenue estimating conference demonstrate the need for urgent action to shore up R.I.'s revenue system immediately and for the future. State revenues are the collective investments that we all make to create and maintain a safe, healthy, and thriving Rhode Island. These investments are essential to keeping our shorelines and beaches clean, protecting our communities with police and emergency workers, educating our current and future workforce, and assuring that our neighbors do not go without food and shelter,” said Brewster.

The Poverty Institute released a report earlier this year that outlines several options for the state to address weaknesses in the revenue system, including closing corporate loopholes, reforming tax credits such as the historic tax credit and motion picture tax credit, retaining a reasonable capital gains tax and rethinking the phase-in of a “flat tax” that will reduce the tax rate for the wealthiest one percent of Rhode Islanders over the next four years, costing the state an estimated \$73 million by 2012.

“We need a tax system that is smart, competitive and equitable,” said Ellen Frank, senior economist at the Poverty Institute. “In addition to closing loopholes and reviewing the cost effectiveness of tax expenditures, the state desperately needs to staff the Office of Revenue Analysis so that we have the best policy analysis and revenue forecasting in order to plan for the future. These are simply common sense ways to strengthen the state's fiscal outlook.”

For more information about the Poverty Institute's proposals, contact Kate Brewster, executive director at (401) 486-9532.