



The Poverty Institute

Institute on Taxation and Economic Policy

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MEDIA RELEASE

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Rhode Island Taxes Hit Poor and Middle Class Hardest

PROVIDENCE, RI (November 18, 2009) – Low- and middle-income families in Rhode Island pay a far higher share of their income in state and local taxes than do the wealthiest families, according to a new study just released by the Institute on Taxation and Economic Policy (ITEP) in Washington, D.C.

“Rhode Island lawmakers will be forced to make difficult tax and spending decisions in the upcoming year,” said Matthew Gardner, ITEP’s executive director and lead author of the study, titled *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*. “They should be mindful that the Rhode Island tax system already falls most heavily on the very poorest families in the state.”

Rhode Island’s Tax Code: Poor and Middle Class Pay More

When all of the Ocean State’s taxes are totaled up, the study found that:

- The poorest fifth of non-elderly Rhode Island families – those earning less than \$17,000 - pay 11.9% on average of their income in Rhode Island state and local taxes.
- Middle-income Rhode Island taxpayers - those earning between \$31,000 and \$51,000 - pay 10.5% on average of their income in Rhode Island state and local taxes.
- The richest Rhode Island taxpayers – those with earnings above \$419,000 - pay 7.0% on average of their income in Rhode Island state and local taxes.

The main reason for the unfairness of Rhode Island’s taxes is the state’s reliance on property taxes and on regressive sales and excise taxes which fall disproportionately on the worst-off families. The state’s one progressive tax, the income tax, is not enough to offset the unfair impact of these other taxes.

“Rhode Island could improve the overall tax fairness by increasing the refundable earned income tax credit which would put more money into the hands of struggling Rhode Islanders,” said Linda Katz, policy director at The Poverty Institute. “This study also calls into question the wisdom of the flat tax which is unaffordable and makes our overall tax structure less equitable.”

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About the Institute on Taxation and Economic Policy (ITEP)

Based in Washington, DC, the Institute on Taxation and Economic Policy is a non-profit, non-partisan research organization that seeks to inform policymakers and the public of the effects of current and proposed tax policies on tax fairness, government budgets, and sound economic policy. Copies of *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*, including state fact sheets, are available at www.itepnet.org.

About The Poverty Institute

The Poverty Institute is a non-partisan organization that develops and promotes policies to improve the economic security of low- and modest-income Rhode Islanders and to ensure that tax and budget policies are equitable and adequate to fund vital public services. Financial support comes from foundations, corporations, and individuals who care about social change and economic justice. For more information visit www.povertyinstitute.org.