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Millionaire Tax in Rhode Island Gets Governor's Support

By [Greg Ryan](#)

Rhode Island Governor Dan McKee proposed a higher tax on millionaires to help fill a hole in the state's budget and offset cuts to other levies that would benefit lower-income residents.

McKee is seeking to raise the state levy applied to incomes over \$1 million to 8.99%, an increase of three percentage points, according to his budget proposal released Thursday. The threshold is higher than a similar proposal backed by labor leaders and other lawmakers in Rhode Island that called for a surtax on the top 1% of earners, or those with incomes of more than \$640,000.

McKee previously [opposed](#) a tax on the wealthy but has more recently [warmed](#) to the idea, pointing to the budget strain created by federal cuts to Medicaid, food assistance and other programs under President Donald Trump. [Rhode Island](#) faces a deficit of at least \$101 million in the fiscal year that begins in July, according to the state Office of Management and Budget, with the funding gap expected to grow by as much as \$70 million depending on the extent of the knock-on effects from federal cutbacks.

McKee is seeking to pair the higher levy on millionaires and a proposed step-up in cigarette taxes with several cuts: the reversal of a gas-tax

increase that the legislature passed last year and an exemption for Social Security benefits from the state's income tax. He also wants to create a child tax credit for lower-income families.

"My priorities are clear: putting more money back in families' pockets, protecting the most vulnerable from President Trump's safety net cuts, and keeping Rhode Island building to support good-paying jobs and long-term economic growth," McKee said in a letter announcing the budget proposal.

Progressive groups across the US are increasingly pushing higher taxes on the wealthy as a way to bolster budgets and tackle a K-shaped economy where higher-income individuals thrive and lower-income ones are forced to dial back spending. Separately on Thursday, a coalition of labor advocates said it's sent letters to governors in all 50 states demanding they close tax loopholes for the rich.

Rhode Island's current top marginal tax rate of 5.99% is the lowest in New England apart from New Hampshire, which doesn't have an income tax. Boosting that rate to 8.99% would put the state on par with neighboring Massachusetts.

In California, a large health-care union is seeking to advance a ballot initiative that would introduce a one-time 5% tax on billionaires' net

worth. Washington and [Michigan](#) are also weighing proposals for levies targeting the rich, a concept that's backed by [New York City](#) Mayor Zohran Mamdani. Many point to Massachusetts as a model: the state has collected \$6.2 billion in the three years since it implemented a millionaire tax, a [much larger windfall](#) than lawmakers anticipated.

In Rhode Island, McKee hasn't trumpeted his support for a millionaire tax in the same way as some of his fellow Democrats. He didn't mention the proposed tax increase in his letter introducing the budget, nor in his annual State of the State address earlier this week when he previewed some of the tax cuts that made it into his budget.

Still, his support boosts the likelihood that a tax increase for the wealthy will become law at the end of the budget process in June. The starting point for the levy is likely to draw continued debate. The coalition backing the \$640,000 threshold has projected it would raise just over \$200 million every year. McKee's office estimated his millionaire tax would generate about \$135 million annually.

The governor's proposal is a "good start" but "leaves too much money on the table," Working Families Party New England regional director Georgia Hollister Isman said in a statement. The organization and a group of Rhode Island lawmakers plan to unveil legislative proposals next week for additional tax increases on the state's wealthiest.

McKee's budget also includes proposals to cap ratepayers' contributions to the state's energy-efficiency program and alter its renewable energy standard in an effort to lower Rhode Island's electricity costs, which are among the highest in the US. McKee estimates the changes would save consumers \$1 billion over five years.