Rhode Island

#39

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
39 ▲ 1	37 ▼ 5	26 ▲ 4	30 –	43 ▼ 1	48 –

FORTHCOMING, NOT YET REFLECTED

In June 2026, H 7127 was adopted, creating a new three percentage-point surtax on individual income over $1 million. This policy change will phase in over three years, raising the state's top marginal individual income tax rate from 5.99 in 2026 to 6.99 percent in 2027, 7.99 percent in 2028, and 8.99 percent in 2029. This change will hurt Rhode Island's performance on future editions of the *Index*.

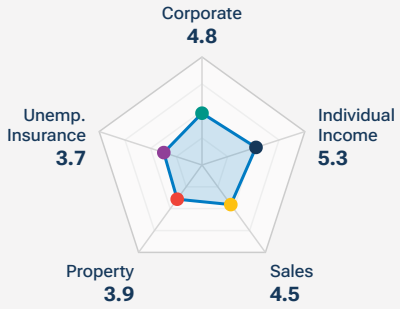
Rhode Island ranks poorly overall due to below-average rankings on all five components. Hurting Rhode Island's individual income tax component ranking is the sizeable marriage penalty in its individual income tax brackets, with bracket thresholds that are not adjusted for married couples. While it will only affect future *Index* rankings, Rhode Island also adopted a new top marginal rate of 8.99 percent, which is three percentage points higher than its current top rate of 5.99 percent, beginning to phase in in 2027. On the corporate component, Rhode Island taxes net CFC tested income (NCTI), making it more expensive for corporations to do business in the Ocean State. Furthermore, Rhode Island does not offer bonus depreciation even though it conforms to the federal limitation on business net interest deductibility. However, Rhode Island recently made strides to improve its treatment of business net operating losses (NOLs) by increasing the NOL carryforward period from 5 to 20 years, bringing it more in line with other states.

On the property tax component, Rhode Island benefits from forgoing a capital stock tax and provides a tangible personal property de minimis exemption, but the state continues to levy an estate tax, taxes commercial property more heavily than residential property, and collects relatively high property taxes per capita and as a share of owner-occupied housing value.

While Rhode Island's state sales tax rate is among the highest in the country, its lack of local sales taxes places the combined state and average local sales tax rate near the middle of the pack. Notably, however, Rhode Island has one of the highest tobacco tax rates in the country. Furthermore, despite recent reforms, Rhode Island's UI tax continues to rank among the least competitive in the country due to high minimum and maximum rates, a wage base that exceeds the federal wage base, a long experience rating qualifying period, and a surtax.

Component scores

out of 10



Rhode Island and its neighbors

Overall rank, 2027 Index, with change from 2026

Rhode Island	#39	▲ 1
Massachusetts	#45	▼ 1
Connecticut	#46	▲ 1