

Delawareans Labor More Than Three Months to Pay Taxes in 2010

For Immediate Release:
For More Information, Contact:

Thursday, April 8, 2010
Joe Fulgham (302) 744-4184

One hundred days. That's how long the average Delawarean will work this year to pay "The Man."

According to the Tax Foundation – a Washington, D.C. based nonpartisan research group – Tax Freedom Day, the day after which Delawareans will be working for themselves for the first time this year, falls on Saturday, April 10th. Through that date, all the wages residents of the First State have earned from the start of the year will be solely dedicated to pay their local, state and federal tax burden.

Tax Freedom Day (TFD) is calculated by dividing the official government tally of all taxes collected in each year by the total income over the same period. The Tax Foundation issues separate Tax Freedom Day projections for each state and the nation as a whole. This year, the U.S. is expected to mark the national Tax Freedom Day on April 9th. The foundation says the average American will pay nearly 26.9 percent of his or her income this year to federal, state and local government.

A report by Tax Foundation staff economist Kail Padgitt says the state and national Tax Freedom Days might have fallen even later this year, but were moderated by three factors:

- the economic slowdown reducing tax collections
- the enactment of large, but temporary, federal income tax cuts
- The repeal of two significant taxes (the estate tax and two provisions of the income tax) due to previously-enacted legislation.

"It's ironic that the slow economy that's causing so much anguish is masking the pain of our higher tax burden," said State Rep. Deborah Hudson (R-Fairthorne), a member of the House Revenue and Finance Committee. "When the economy rebounds, and the stimulus money and tax cuts lapse, you're going to see our Tax Freedom Day leapfrog past previous marks and fall later than ever."

State Rep. Gerald Hocker (R-Ocean View) said despite this year's brief relief, he's not pleased. "That Delaware residents had to work the first 100 days of this year to pay for the cost of government should give every thinking person reason for reflection. If Tax Freedom Day was not just a symbolic representation, but were an actual fact, with Delawareans turning over their paychecks to government since the start of the year, there would be a revolt."

The potential tax burden on Delawareans increased in 2010 due to a \$212 million package of tax and fee increases enacted in Delaware last year. The controversial package of 11 tax and fee bills signed into law by Gov. Jack Markell included raises in the personal income tax (PIT); the gross receipts tax (GRT); cigarette tax; and corporate franchise tax.

The Tax Foundation's report cautions that their calculations do not include the mounting federal deficit, even though it must eventually be financed. If Americans were required to pay for all government spending this year, the foundation's report concludes they would be working until May 17th before they had earned enough to pay their obligations.

"I believe the states need to pressure the federal government to stop its unsustainable deficit spending," Rep. Hudson said. "The country is like a long freight train, with the federal government as the locomotive. Right now, our leaders in D.C. are driving that engine off a cliff and they're going to take the rest of us with it unless we put on the breaks and switch tracks."

Rep. Hudson noted that President Obama signed a bill in February to raise the nation's debt limit to nearly \$14.3 trillion, or about \$113,000 for every taxpayer in the country.

Tax Freedom Day is marked in different states at different times depending on the level of the tax burden placed on each state's citizens. Alaskans pay the lowest taxes, with their state celebrating its TFD on March 26. Connecticut, the state with the greatest tax burden, won't mark TFD until April 27.

Despite having the nation's 18th highest tax burden, Delaware still fares somewhat better than its neighbors. New Jersey has the second-highest burden, Maryland ranks fourth; and the Keystone State comes in at 11th.

"If we keep going the way we are, we'll catch up to New Jersey and Maryland before too long," said Rep. Gerald Hocker, who is also a successful Sussex County entrepreneur. "Despite my opposition, Delaware enacted \$212 million in new or higher taxes and fees last year – the majority of it falling on the business community. We need to reverse direction and alleviate the pressure on Delaware businesses so they can make investments that'll create jobs."

###