

# Bill Seeks Repeal of Delaware's "Death Tax"

For immediate release:  
For more information, contact:

Monday, June 28, 2010  
Joe Fulgham (302) 744-4184

With time ticking down on the 2010 legislative session, a new bill to eliminate Delaware's "death tax" is pending action in the State House of Representatives.

Sponsored by State Rep. Deborah Hudson (R-Fairthorne), House Bill 492 would repeal the state's estate tax that was reinstated last year as part of a \$212 million package of new or increased taxes and fees.

Prior to last year, the First State had not had an estate tax since 2005.

"Of all the taxes the state imposes, this is perhaps the most onerous, shortsighted and unfair," said Rep. Hudson said. "It amounts to government grave robbing. While we're alive, the federal, state and local governments constantly have their collective hand in our pockets taxing us on the assets we earn and accumulate. Then when we die, they tax us again on the same property, standing between it and the family and friends to whom we'd like to leave it."

Rep. Hudson notes many states do not have an estate tax, placing Delaware at a competitive disadvantage. While Delaware's version of the tax applies to estates valued at more than \$3.5 million, Hudson says this works against its viability.

"Everyone likes socking it to the rich," Rep. Hudson said. "The problem with that is that the people occupying this upper strata of our society often own homes in other states that have no estate tax, or can easily acquire them. For them, changing their residency is a completely practical option to avoid the tax. Unfortunately, when this happens, not only do we then lose the estate tax revenue, we also lose the revenue for income tax and other levies these people would have paid as Delaware residents."

Rep. Hudson points to recent figures released by the Office of the Controller General as evidence of her position. There is a nine-month lag on filing the estate tax, so Delaware's reinstatement of it last July only impacted the final three months of the current fiscal year. "The Delaware Financial Advisory Council (DEFAC), of which I'm a member, estimated the tax would generate \$5 million in revenue for the last quarter of Fiscal Year 2010. But with the quarter almost over, that estimate is now just \$300,000 – a 94-percent reduction. Oddly, for the fiscal year that begins July 1<sup>st</sup>, they're estimating the state will earn \$25 million. That's fantasy. Based on our actual experience from the current fiscal

quarter, I'm comfortable saying it won't amount to anything more than a small fraction of that."

Rep. Hudson said from a fiscal standpoint, she believes abolishing the tax now will actually increase state revenue as people who might have otherwise changed their residency choose to stay Delawareans and pay Delaware taxes.

Supporters of the repeal measure, like Sussex County businessman and bill co-sponsor, State Rep. Gerald Hocker (R-Ocean View) also note the tax acts as a strong disincentive toward entrepreneurship. "The death tax creates a significant hurdle to people inheriting a small business. The bill they have to pay to government represents a significant cash burden they may struggle to meet. Faced with borrowing to pay the tax – assuming they can even get the financing – or closing the business and liquidating the assets, many choose the latter."

Rep. Hudson also points to some studies that claim that the estate tax imposes a large "compliance burden" on the U.S. economy – making it a costly tax to collect and one of the most inefficient means to generate revenue.

The bill is pending action in the House Revenue & Finance Committee.