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**STATE LEGISLATORS PROPOSE EASING THE BURDEN
FACED BY BUSINESSES FROM DELAWARE'S HIDDEN SALES TAX,
FUNDED BY A SHRINKING OF STATE GOVERNMENT**

State legislators today unveiled a plan to help companies doing business in Delaware by reducing the state's Gross Receipts Tax (GRT). The move would be funded by savings from shrinking the state's workforce by approximately 500 jobs, or less than 1.7% of the total state workforce, through attrition, beginning July 2010.

State Representative Thomas H. Kovach (R-Southeast Brandywine) introduced legislation to decrease the GRT – what was supposed to be a temporary tax imposed in 1975 on the gross receipt sales of Delaware's businesses - by 6.7% across the board. The savings to companies doing business in Delaware would be \$13 million, with this business relief plan funded by savings from the state not filling 500 positions of those who retire or leave state employment over the course of a year.

"We can and must reduce redundancy in state government within and between agencies, within and between school districts, and in other surplus positions within state government," said Rep. Kovach.

Last year, Delaware raised the "temporary" GRT by 8% as part of a more than \$200 million tax and fee package to increase the state's revenue. This increased tax burden is a significant hardship for the many struggling small and mid-sized businesses operating in the state, with Representative Greg Lavelle (R-Sharples) – a lead sponsor of the bill – calling the proposal, "a tangible way to provide some relief to businesses in the state and a significant effort to stimulate the economy by leaving more revenue with the businesses that earned it."

According to Representative Ruth Briggs King (R-Georgetown), a co-sponsor of the legislation, "The Gross Receipts Tax is known as Delaware's hidden sales tax. We impose it on our small businesses and they, in turn, pass it along to consumers. It is an undue burden on companies doing business in Delaware and to their customers. If we want to make sure the economy continues to head for recovery, then we need to make certain our small businesses have the means to thrive."

"We are about to approve a budget that is over \$200 million more than last year's spending plan. It's hard to make the argument that Delaware is belt-tightening when we see budget growth of more than 6% in an economy that most people would agree is barely rebounding," said Representative Mike Ramone (R-Middle Run Valley), also a co-sponsor of the bill.

Co-sponsor Representative Deborah D. Hudson (R-Fairthorne) stated, "Even if there is a reason for some expanded government services in an economic downturn, that reason does not justify a 6% increase in next year's budget and a failure to reduce the redundancy in government, especially considering the ending of the federal stimulus funding after this fiscal year."

Rep. Kovach summarized, "Businesses need our help and our proposal to reduce the GRT is a fiscally sound way to provide the assistance our businesses desperately need. With a reduced burden, our businesses can hire more workers, make capital improvements, lower prices, and provide other invaluable contributions to a rebound in the economy. Last year, the state asked businesses to contribute a bigger share and they did. This year, we need to give back to our businesses, while, at the same time, continuing what should be our annual effort to make government smaller and more efficient."

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