House Lawmakers Making Renewed Push to Return Surplus Revenue to Taxpayers

For Immediate Release: **January 20, 2021**
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The sponsors of tax cut bills pending action in the General Assembly say they plan to make a renewed push to return surplus state revenue to Delawareans.

Since the current fiscal year (FY 2022) began on July 1, the state's revenue forecasts have jumped dramatically. In the last six months, the state's nonpartisan Delaware Economic & Financial Advisory Council (DEFAC) has twice boosted state revenue projections for the current and upcoming fiscal years, increasing total income by $820 million.

The rosy forecasts continue a trend of more money flowing into the state's coffers throughout FY 2021. "It is an embarrassment that state government did not enact one meaningful tax cut last year," said State Rep. Rich Collins (R-Millsboro), the author of a pending tax reduction bill. "After the bills are paid, and appropriate reserves are set aside, I believe government has a duty to return money to the people from which it was taken. That was an obligation the legislature failed to honor last year."

The following are five pending bills that are past due for consideration in the General Assembly that seek to reduce Delaware's tax burden.

INCOME TAX AND SALES TAX REDUCTIONS

In terms of scope and value, the most significant of these measures is House Bill 191. Sponsored by Rep. Collins, the bill would make a 10% across-the-board cut to the state's personal income tax rates; would reduce the corporate income tax by nearly 30%; and slash the gross receipts tax – sometimes referred to as Delaware's hidden sales tax – by 50%. According to the bill's fiscal impact statement, the proposal would allow taxpayers to collectively retain more than $282 million in the upcoming fiscal year and more than $321 million in FY2024.

"This is an economic development bill," Rep. Collins said. "In recent years, Delaware has had one of the worst economic growth rates in the nation. I believe allowing people and businesses to keep more of their own money will jumpstart investment, increase employment, and raise starting wages."

HB 191 is pending action in the House Revenue & Finance Committee.

HELPING DELAWAREANS OF MODEST MEANS

State Rep. Lyndon Yearick (R-Camden, Wyoming) is sponsoring two bills, both benefiting lower income Delawareans. The first, House Bill 172, seeks to temporarily eliminate the state's portion of the realty transfer tax for certain first-time home buyers.

The bill would apply to people with a gross income of less than $45,000 for single buyers or less than $75,000 in combined income for joint purchasers. To qualify, the purchase price of the home would need to be $250,000 or less. The bill will be amended to "sunset" (expire) on December 31, 2024. Ten lawmakers – nine Republicans and one Democrat – have thus far agreed to sponsor the bill, which is awaiting a hearing in the House Revenue & Finance Committee. According to a fiscal note completed by the Controller General's office, the bill would return $1.6 million to beneficiaries annually.

Rep. Yearick's second bill, House Bill 158, would establish the Delaware Resident Low Income Tax Credit. This act seeks to create a $500 tax credit for low income Delawareans. In the case of spouses filing a joint return, the tax credit would be $1,000. Individuals earning between $18,000 and $30,000 annually would qualify, as would spouses filing jointly with household incomes of between $36,000 and $60,000. Additionally, a $110 personal tax credit currently available to certain low-income Delawareans would be increased to $500.

Under the proposal, if the value of the credit exceeded the tax owed by the individual, he or she would receive the remaining value in the form of a tax refund. Presently, this bill has only attracted the sponsorship of Republican legislators. It is awaiting consideration of the House Revenue & Finance Committee. The bill would result in approximately $77 million remaining in the hands of modest-income Delawareans each year.

"I am committed to supporting our working poor with my bills to reduce the realty tax, create a new tax credit, and increase an existing personal tax credit," Rep. Yearick said. "These proposals would provide needed relief to working individuals and families."

Both of Rep. Yearick's bills are pending action in the House Revenue & Finance Committee.

ROLLING BACK THE CLOCK ON 2017 TAX HIKES

When the state faced a budget deficit in 2017, lawmakers enacted laws increasing the tax burdens on seniors and homebuyers. State Rep. Mike Ramone (R-Pike Creek South) has introduced bills to repeal both statutes.

House Bill 108 would restore the senior real property tax credit to a maximum of $500. Four years ago, the credit was cut to $400. A fiscal note completed last year reveals the bill would return more than $4.2 million annually to qualifying Delaware seniors. The measure has bipartisan support and has been pending action by the House Administration Committee for nearly a year.

Rep. Ramone's second proposal, House Bill 71, would decrease the realty transfer tax in Delaware by 25%. In 2017, the tax was effectively raised from 3% of the purchase price of a property to 4%. (Local governments are responsible three-eighths of this total, with the state accounting for the remainder.) This bill would reset the state's take to its pre-August 1, 2017 level, restoring the effective combined realty transfer tax to 3%.

When fully implemented in FY 2024, HB 71 would allow homebuyers to collectively keep an estimated $83 million. So far, only Republican legislators have sponsored the legislation. The bill cleared the House Revenue & Finance Committee last June and is now pending the consideration of the House Appropriations Committee

"These bills are two initiatives that I have been relentlessly fighting for over the past few years," Rep. Ramone said. "Given the state's extraordinary revenue forecasts, there should be no reason to delay implementation of either proposal."

The first four bills have been improperly held in committee without a hearing for much longer than the 12 legislative days allowed under House Rules (Rule 35b). The fifth bill, House Bill 71, will surpass that threshold before the General Assembly recesses for budget hearings at the end of this month.

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