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## Taxing and Spending in Delaware

Tax Freedom Day is the day of the calendar year when Americans have finally earned enough money to pay all of their federal, state and local taxes. In 2009, Delawareans worked 101 days, from January 1 to April 11, to pay their tax bill, giving Delaware the 30th latest Tax Freedom Day in the United States.

Any ranking of a state's tax burden should also account for the local burden. This is especially true in Delaware with its heavy reliance on the state to provide many services that are delivered at the local level in other states.

### Snapshot: Delaware's State and Local Taxes<sup>i</sup>

<b>Tax</b>	<b>Rate Per Capita</b>	<b>Fiscal Year</b>	<b>Rank</b>
<i>State and Local Tax Burden</i>	\$4,253	2008	16 <sup>th</sup> Highest
<i>State and Local Spending</i>	\$14,163	2006	2 <sup>nd</sup> Highest
<i>State and Local Revenues</i>	\$10,000	2006	6 <sup>th</sup> Highest
<i>State and Local Property Tax Collections</i>	\$627	2006	8 <sup>th</sup> Lowest
<i>Personal Income Tax Collections</i>	\$1,194	2007	10 <sup>th</sup> Highest
<i>General Sales and Use Tax Rates</i>	1.92%	2009	5 <sup>th</sup> Lowest
<i>Corporate Income Tax Collections</i>	\$352	2007	3 <sup>rd</sup> Highest
<i>State Debt</i>	\$7,862	2007	4 <sup>th</sup> Highest

Policymakers consistently cite Delaware as a low tax state. Indeed, compared to other states in the region and many across the nation, we are. However, it's all relative; simply having lower taxes than surrounding states does not equate to giving an "OK" to tax increases. While combining state and local taxes is necessary when discussing the tax burden, knowing the state portion alone is helpful for various taxes.

### Selected State Taxes

<b>Tax</b>	<b>Rate</b>	<b>Fiscal Year</b>	<b>Rank</b>
<i>Tax Collections</i>	\$3,384 per capita	2007	7 <sup>th</sup> Highest
<i>Revenues</i>	\$8,655 per capita	2007	6 <sup>th</sup> Highest
<i>PIT Collections</i>	\$1,194 per capita	2007	10 <sup>th</sup> Highest
<i>CIT Collections</i>	\$352	2007	3 <sup>rd</sup> Highest
<i>Gasoline Tax</i>	\$0.32/gallon	As of April 3, 2009	28 <sup>th</sup> Highest
<i>Cigarette Tax</i>	\$1.15/pack	As of July 1, 2009	25 <sup>th</sup> Highest
<i>Spirits Tax</i>	\$5.46/gallon	As of July 1, 2009	21 <sup>st</sup> Highest
<i>Table Wine Tax</i>	\$0.97	As of July 1, 2009	13 <sup>th</sup> Highest
<i>Beer Tax</i>	\$0.16	As of July 1, 2009	30 <sup>th</sup> Highest
<i>Lottery Sales</i>	\$881 per capita	2007	2 <sup>nd</sup> Highest

The data shows that for many taxes, Delaware is in the middle of the pack. Looking at more data, we can see that for lottery revenue as a percentage of own-source revenue, Delaware ranks 3<sup>rd</sup> highest in the nation,

garnering 4.15%. As policymakers look to head off a budget shortfall in fiscal year 2011, they should keep in mind Delaware's reliance on exporting taxes. If legislators continue raising excise and income taxes, Delaware will drift away from being the low tax state in the region.

A recent column by former State Finance Secretary, David Singleton, noted that, "Delawareans should know how our spending stacks up and decide whether they want to continue supporting such a high level of spending." He continued, "if we're going to continue spending at this level, Delawareans should insist that it produce national models of excellence – top quality, efficiently managed public services" (*The News Journal*, 8/2/09).

Mr. Singleton makes a great point about demanding excellence. Unfortunately, Delaware is clearly not a model of excellence in a multitude of areas including corrections, environment, public education, welfare and Medicaid – all things that Singleton notes Delaware as among the nation's highest spenders.

The Delaware Economic Forecasting Advisory Committee (DEFAC) and policymakers agree that next year will bring another difficult budget balancing act. Fortunately, the efforts to improve government operations through better management and efficiencies are ongoing. We hope that they bear fruit.

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<sup>i</sup> Tax Foundation, *2009 Facts & Figures Mid-Year Update*, U.S. Census Bureau

