



Analytics

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RE: A BACKDOOR SALES TAX?

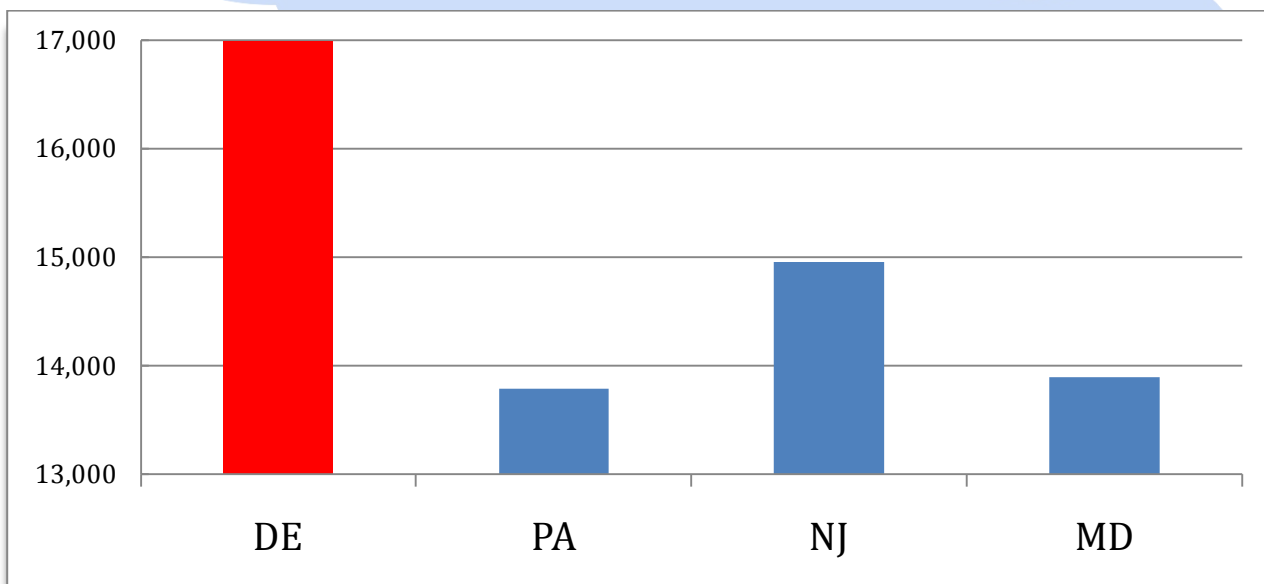
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Recently passed SB234 requires Delaware retailers to pay a Recycling Fee of 4 cents for any beverages sold in a non-aluminous container. The Fee will expire when the tax revenues received exceed \$22 million or by December 1, 2014, whichever comes first.

Harkening back to the dodge pulled by the legislature to avoid the Delaware constitution by renaming slot machines (except in billboards by Delaware Park) “video lottery” machines which has now led to gaming tables, one might

question whether this is the first step on the path to a state sales tax. The absence of a sales tax boosts Delaware retail sales by 20% per capita (Chart 1). With gross receipts tax revenue expected to total \$195 million this current fiscal year, a sales tax would minimally put \$39 million of gross receipts tax revenue at risk. The impact on retail sales will vary significantly by industry. Electronic and appliances sales per capita, for example, are 200% above neighboring states and building and garden supply sales almost 60% above.

Chart 1 – Retail Sales Per Capita, 2007 (in current dollars)



Source: U.S. DOC, Census of Retail Trade

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