



Tuesday, May 20, 2025

Dear Madam Speaker:

We are writing to you to express our opposition to increasing personal income taxes in Delaware. While we understand the need to review personal income tax brackets from time to time, our members are unified in their opposition to this proposal.

For over 40 years, four Governors – two Republicans and two Democrats (du Pont, Castle, Carper, and Markell) – each signed legislation to keep Delaware’s top marginal rate below that of our neighboring states, since it sends a signal about the business climate in our state. Despite challenging economic circumstances, the other two Governors who held office during this period chose to make no changes in the top marginal tax rates. In addition, there are several other reasons for our opposition.

First, taking such action before the tax and spending uncertainties of the federal government are cleared up may require the General Assembly to revisit this exact topic and make other fiscal policy changes in the next year. Delaware state leaders have a long history of prudent management of state finances, and repeatedly making changes to fiscal policy is inconsistent with that history.

Second, for many businesses signing this letter, current economic conditions are quite worrisome up and down the state. The unpredictability of federal trade and tariff policy is at the center of these concerns. So much of our economy is connected to international trade partners and supply lines, and the present uncertainty is starting to manifest itself in delayed decisions and concern about product availability, inflation, and more. These shortages of critical products will undoubtedly create inflationary pressures, thereby increasing costs to all Delawareans. Those worries are real, and businesses already are beginning to adjust or make contingency plans in the possible absence of important intermediate or finished goods.

Third, this proposal comes at a moment when not only will many Delawareans experience increased inflation and challenging economic times, but higher property taxes are about to be implemented as well. Adding a personal income tax increase on top of that may force the most mobile of our society, middle-to-high-income earners, to look elsewhere for housing and employment. In Delaware, for tax year 2022, the individual income tax paid from high-income taxpayers accounted for 32.8% of all total tax revenue.

Importantly, state leaders have indicated their strong support for small businesses. However, many who will pay higher taxes, including those with slightly lower incomes, represent owners of small or family

businesses. Because many of these small business owners pay pass-through taxes on their personal income tax returns, they will experience a substantial tax increase. Economists who have studied the effects of taxes on family-owned businesses find that high personal income tax rates discourage entrepreneurs from investing in new capital equipment, and, conversely, that reducing taxes encourages new investment.

While we are on a quest to be a state where more young people decide to live, put down roots, start a family, and create a small business, tax increases force the very people we are trying to keep here to consider surrounding states for better economic conditions, housing options, schools, and more. In short, it sends exactly the wrong signal if our goal is to attract and retain jobs, talent, and investment to our state.

We are concerned that at a time when DEFAC indicates state revenue may grow by as little as 1.9 percent, the budget proposal currently under consideration would increase spending by approximately 7.4 percent. Alternatively, to find a similar amount of revenue that this proposed personal income tax is slated to yield, the General Assembly could ask each agency and department to trim its current spending by 2%, eliminate job postings for positions that have been vacant for two or more years, freeze hiring, and more. In short, there are other meaningful ways to identify revenue for important priorities without making people think twice about living here.

For the reasons stated above, the undersigned oppose an increase in personal income taxes.

Sincerely,

Central Delaware Chamber of Commerce
Committee of 100
Delaware Business Roundtable
Delaware Contractors Association
Delaware Restaurant Association
Delaware State Chamber of Commerce

Georgetown Chamber of Commerce
Kent Sussex Leadership Alliance
Medical Society of Delaware
New Castle County Chamber of Commerce
Rehoboth Beach - Dewey Beach Chamber of
Commerce