April 6, 2021

Governor John Carney
Carvel State Office Building
820 N. French Street, 12th Floor
Wilmington, DE 19801

RE: Opportunity of a lifetime, not a generation, a lifetime
Cut Personal and Corporate income taxes now and jump-start Delaware's economic growth!

Dear Governor Carney:

According to the *Delaware Economic and Financial Advisory Council*, Delaware will end up with a $425 million cash surplus at the end of this Fiscal Year 2021 (June 30, 2021). With the $1.9 trillion American Rescue Plan just signed into law by President Biden, there is a high probability that the small states will be given another $1.5 billion as they got in last year's CARES Act.

Delaware could end up with nearly a $2.0 billion cash surplus. This has never happened before and is unlikely ever to happen again.

Delaware desperately needs to spur economic growth. Delaware's overall economic growth, including employment growth and personal income growth over the past ten years, lagged both the national growth markers as well as every one of our neighboring mid-Atlantic states.

Personal and corporate tax cuts spur economic growth nationally, as evidenced by the "Reagan Era" tax cuts and the recent 2017 tax cuts.

The Caesar Rodney Institute's most recent of the past 40 years of Delaware's personal income tax revealed that each time tax rates were increased, total tax revenues actually decreased over time, and the opposite happened when tax rates were cut, overall tax revenues increased due to increased economic activity in corporate and personal incomes. The effect in either direction took less than three years.

A bold tax reduction would look as follows, based on actual tax receipts of Fiscal Year ended 2020:

50% cut in "Gross Receipts" tax:	$119 million
30% cut in "Corporate income" tax to 6%:	$ 36 million
10% cut in "Personal Income" tax to 6%:	$170 million
TOTAL ("apparent shortfall"):	**$325 million**

This "apparent shortfall" is easily covered by the projected $425 million cash surplus for this fiscal year ended June 30, 2021, and the increased "rainy day" fund in the current budget under discussion. Some of the American Rescue Plan funds will undoubtedly substitute for funds already in the 2022 and 2023 budgets providing an additional buffer to make these recommended tax cuts work.

The just signed $1.9 trillion American Rescue Plan includes prohibitions against states taking this money from lowering any income taxes directly or indirectly. It likewise prohibits using these funds for replenishing pension accounts for public employees**.**

The recommended personal and corporate income tax cuts do NOT use the "American Rescue Plan" funds but instead, use "Delaware's cash surplus" funds.

Both of these prohibitions will be clarified, no doubt through lawsuits.

In conclusion, knowing that with the combined "Gross Receipts Tax" and the 8.7% "Corporate Income Tax," Delaware has the highest direct business taxes in the country, approaching 12%; and nearly 66% of Delaware residents pay the top personal income tax rate of 6.6%. As evident in the *Caesar Rodney Institute's* most recent analysis and the "Regan Era," tax cuts have been proven to launch sustained economic growth, so cutting personal and corporate income taxes would certainly spur up Delaware's economic growth.

Sincerely,

John R. Toedtman

John Toedtman
Executive Director
Caesar Rodney Institute