

Submitted by  
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4/13/04



# BULLETIN Legislative

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April 13, 2004

## House Amends and Reports HB 5018

The House of Delegates on April 13 amended HB 5018 to remove the proposed increase in recordation taxes. This lowers by \$224.1 million the amount of money HB 5018 will generate. There was little discussion on the bill; Delegate Hamilton said he would vote against the bill because it would not raise enough money. Delegate Cosgrove asked that the vote (taken earlier in the day) to defeat an amendment to remove the increase in the recordation tax be reconsidered. The vote on the amendment was reconsidered and then the amendment was adopted on a 49-48 vote, meaning that the recordation tax increase was removed from the bill. The bill was then adopted on a 52-46 vote (how the delegates voted is given at end of this bulletin).

The House then adjourned to meet April 20 at 3 p.m. Senate Finance will take the measure up on April 14 at 10 a.m.

An updated fiscal impact statement for HB 5018 became available on the state legislative web site today, so the dollar figures for the items below may differ from those sent in previous bulletins. Also, the figures given are for the biennium.

**HB 5018** would increase state general fund revenues by approximately \$745.9 million and the Transportation Trust Fund by approximately \$21.5 million over the biennium.

### **The bill would raise taxes for the general fund for the biennium by:**

- Increasing the sales tax on non-food items by one-half cent effective 10/1/04--\$688.2 million increase
- Increasing the state tax on cigarettes to 20 cents per pack on Aug. 1, 2004 and to 30 cents per pack on July 1, 2005--\$316.1 million increase
- Removing the sales tax exemptions on public service corporations--\$136.4 million increase
- Closing two corporate income tax loopholes affecting Delaware holding companies and pass-through entities--approximately \$64.4 million increase
- Retaining the senior income tax deduction for those currently 65 and over, retaining the deduction for three years for those that turn 62 by Jan. 1, 2004, eliminating the 62-64 benefit for those turning 62 after Jan. 1, 2004 and phasing out the \$12,000 exemption for those turning 65 after Jan. 1, 2004--\$96.8 million increase

### **The bill would decrease general fund revenues by:**

- Cutting the sales tax on food by one-half cent in FY05 and another one-half cent in FY06 effective Sept. 04 (\$142.5 million reduction)

- Phasing out the estate tax as of Nov. 1, 2004 (\$104 million reduction in FY06)
- Decreasing the income tax by raising the personal exemptions from \$800 to \$1,000 (\$85.5 million reduction), eliminating the marriage penalty by raising the deduction for married couples from \$5,000 to \$6,000 (the deduction for individuals is currently \$3,000) (\$30.5 million reduction) and raising the filing threshold to \$7,000 for individuals and \$14,000 for a married couple, thus taking 140,000 people off the tax rolls (\$6.8 million reduction)
- Eliminating accelerated sales tax payments that force retailer to pre-pay sales tax collections to the state (one time cost in FY05 of \$181 million).

HB 5018 would increase local sales tax revenues (from the one percent local option tax) by \$20.5 million in FY05 and \$22.6 million because of the increase in the price of cigarettes and the repeal of the sales tax exemptions:

Here is how the delegates voted on passage of HB 5018:

Yes - 52

Alexander  
 Amundson  
 Armstrong  
 BaCote  
 Barlow  
 Baskerville  
 Bland  
 Brink  
 Bryant  
 Callahan  
 Carrico  
 Council  
 Dillard  
 Ebbin  
 Eisenberg  
 Fralin  
 Hall  
 Howell, A.T.  
 Hull  
 Hurt  
 Ingram  
 Johnson  
 Jones, D.C.  
 Jones, S. C.  
 Keister  
 Lewis  
 Marshall, D.W.  
 Melvin  
 Miles

Moran  
Morgan  
Nutter  
Oder  
Parrish  
Petersen  
Phillips  
Plum  
Pollard  
Reese  
Rust  
Scott, E.T.  
Scott, J. M.  
Shannon  
Shuler  
Sickles  
Stump  
Tata  
Van Landingham  
Van Yahres  
Ward  
Ware, O.  
Watts

No - 46

Albo  
Athey  
Bell  
Black  
Byron  
Cline  
Cole  
Cosgrove  
Cox  
Drake  
Dudley  
Frederick  
Gear  
Griffith  
Hamilton  
Hargrove  
Hogan  
Hugo  
Janis

Joannou  
Kilgore  
Landes  
Lingamfelter  
Louderback  
Marrs  
Marshall, R.G.  
May  
McDonnell  
McDougle  
McQuigg  
Nixon  
O'Bannon  
Orrock  
Purkey  
Rapp  
Reid  
Saxman  
Sherwood  
Spruill  
Suit  
Wardrup  
Ware, R.L.  
Weatherholtz  
Welch  
Wright  
Mr. Speaker

Not Voting - 2

Abbitt  
Putney