

August 28, 2008

Director Jennifer W. Davis
Office of Management and Budget
Haslet Armory
122 William Penn Street
Dover, DE 19901

State Treasurer Jack Markell
Office of the State Treasurer
820 Silver Lake Boulevard, Suite 100
Dover, DE 19904

RE: Domestic Production Deduction

Dear Director Davis and State Treasurer Markell:

The State Council for Persons with Disabilities (SCPD) has reviewed the attached article regarding the Domestic Production Deduction (DPP). The main findings according to the article are as follows:

- The DPP is a large corporate tax break enacted by the federal government in 2004. It doubled in size for tax year 2007 and will triple by 2010.
- Approximately 20 states have disallowed the deduction even though states typically base their tax codes on the federal code. 27 states, including Delaware, allow the deduction costing them hundreds of millions of dollars per year.
- The state tax break is unjustified as state economic policy. The main beneficiaries are large, profitable corporations. Struggling companies receive little or no benefit. Multi-state firms can claim the deduction for activities in any state so they have little incentive to shift jobs to states that allow the deduction.
- The cost of the tax break could be used for other, more productive purposes, such as reducing state budget deficits and funding key state services.

SCPD respectfully requests your perspective on this issue and how the DPP impacts Delaware.

Thank you for your consideration.

Sincerely,

Daniese McMullin-Powell, Chair
State Council for Persons with Disabilities

P&I/dpp 8-08