



Analytics

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RE: Delaware's business tax climate an advantage

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Overall, Delaware has the 8th best 2010 business tax climate according to the Tax Foundation. Even more important, as jobs are far more likely to move between contiguous states, Delaware's tax climate is far better than surrounding states in the region (see the table).

Delaware's high ranking is due primarily to the absence of a sales tax and consistently low property taxes. The most recent effective property tax rate—property taxes as a percent of total personal income—is 1.23%. This compares to 2.95% for Maryland, 5.82% for New Jersey, and 3.46% for Pennsylvania. Delaware also has a cap on capital stock property tax payments. Business location decisions are especially sensitive to property taxes as the amount paid is unrelated to profits.

On the downside Delaware ranks 49th in corporate income taxes, especially due to its gross receipts tax structure that does not offer full deductions for costs of goods sold or employee compensation. And, Delaware ranks 35th in individual income taxes. Delaware's income tax rank deteriorated with the recent increase of the tax rate on households with income over \$60,000 to 6.95%.

Studies have found that the Tax Foundation business climate index consistently explains economic growth. Holding the line against further tax increases will help maintain Delaware's business tax advantage and generate a more rapid rebound in employment coming out of the recession.

NATIONAL TAX FOUNDATION BUSINESS CLIMATE INDEX: 2010

	Overall Rank	Corporate Tax Index Rank	Individual Income Tax Index Rank	Sales Tax Index Rank	UI Index Tax Rank	Property Tax Index Rank
Delaware	8	49	35	1	13	7
Maryland	45	14	49	10	37	38
New Jersey	50	41	47	38	25	50
Pennsylvania	27	37	13	29	41	42

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