Analytics

Published by the Caesar Rodney Institute

RELEASE: CRI - Center for Economic Policy and Analysis

RE: Income and Taxes: An Interesting Look

DATE: December 29, 2011

The latest IRS data on personal income taxes collected from Delaware residents is for 2009. Examining the data is instructive.

About 14% of the returns were from Delaware households whose adjusted gross income was $100,000 or more. These high income households accounted for 46% of the income and paid 66% of the income taxes. On the other hand, low income households, those with adjusted gross income of less than $50,000, filed 63% of the returns, received 24% of the income, and paid 10% of the income taxes. As throughout the nation, the personal income tax in Delaware is progressive.

High income households paid 50% of the recorded real estate taxes compared to the 18% paid by low income households.

Delaware's high income households were far more likely than the low income households to receive money from dividends and net capital gains. And high income households received 107% of the partnership/S-corporation income compared to -14% for the low income households. Once again making apparent the significant role of high income households in investment and small business.

As expected, low income households received 67% of the unemployment compensation, 48% of the student loan interest deduction and 48% of the first time homebuyer credit. All programs intended to assist households who are less affluent.

High income households wrote off twice the amount of mortgage interest on their income taxes than did low income households (42% vs. 21%). One has to question whether the mortgage interest deduction regulation encourages home ownership or more likely encourages the over consumption of housing.

High income households were more than three times more likely to file for a residential energy tax credit than low income households. This implies that the bulk of the subsequent energy costs savings went toward the top of the income distribution.

Finally, Delaware high income households accounted for 60% of the charitable distributions compared to 12% for low income households. Low income households donated about 1% of their gross income while high income households gave about 2.5%. The income tax deduction appears to encourage charitable giving, especially among higher income households.

Interestingly, among the households filing income tax in Delaware in 2007, 12,926 had gross income of $200,000 or greater, and this fell to 10,402. Intervening factors were the recession, the renewal of the state's estate tax on high income households and the increase of Delaware's highest personal income tax rate from 5.95% to 6.95% (passed July 1, 2009 to be effective January 1, 2010).

Dr. John E. Stapleford, Director
Center for Economic Policy and Analysis