



CRI News

Delaware's Top Revenue Sources: A Decade of Change

Tracking Delaware's Tax Shifts and What's Ahead

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"Sometimes called Delaware's 'hidden sales tax,' the tax is levied on the seller of goods and services in the state, rather than the consumer."— Jonathan Starkey, former News Journal reporter and current Chief of Staff to Governor Carney writing about Delaware's Gross Receipts Tax.

In 2014, the *News Journal* published an article titled "[Delaware taxes: Top 5 sources of state revenue](#)." Interestingly, Jonathan Starkey who authored the article, is now the Delaware governor's chief of staff. With the campaign season ramping up, the *Caesar Rodney Institute* (CRI) believes revisiting and updating this list provides valuable insights for all Delawareans.

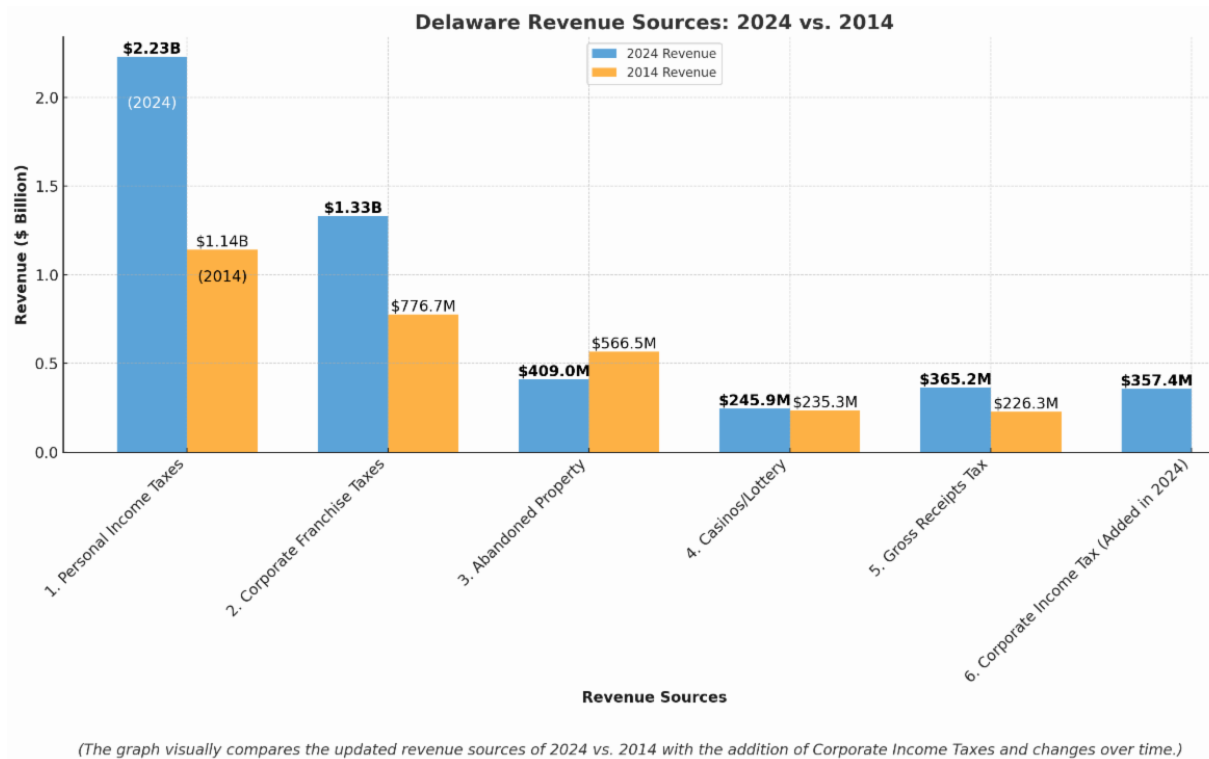
DEFAC – Keeping Delaware's AAA Bond Rating

According to Delaware law, the [Delaware Economic Forecasting Advisory Council](#) (DEFAC) meets five times a year to update the state's revenue forecast. Furthermore, the *Delaware General Assembly* is limited by the State's Constitution to spending, at most, [98% of the June forecast](#), which is specified in the 2024 DEFAC Balance and Appropriations Report. This "constitutional check" on spending has ensured that Delaware has maintained a strong AAA credit rating since the 1980s.

The 'Top 5' State Revenue Source List (updated to 6)

The following rankings are based on Jonathan Starkey's 2014 *News Journal* article, with updates and notes reflecting changes over the past decade. Notably, CRI added "Corporate Income Tax" as the sixth revenue source for completeness (*see Graph 1.0*).

GRAPH 1.0



(The graph visually compares the updated revenue sources of 2024 vs. 2014 with the addition of Corporate Income Taxes and changes over time.)

1. Personal Income Taxes: \$2.23 billion (\$1.14 billion in 2014 – a 95.6% increase)

- Delaware's top tax rate, charged on income of \$60,000 and above, is 6.6%. In the last *Delaware General Assembly*, an effort was made to add a higher top rate on income of \$100,000 and above. **Expect the 2025 Governor and Legislature to try to add a higher top tax rate.**

2. Corporate Franchise Taxes: \$1.33 billion (\$776.7 million in 2014 – a 71.2% increase)

- Delaware is home to over 60% of the S&P 500 companies. This unique revenue source is threatened as numerous other states have adopted Delaware law. In addition, recent negative national headlines have suggested that Delaware’s judiciary has changed its judicial philosophy. These concerns and **Delaware’s leftward lurch in public policy could have a significant long-term impact.**
- The 2014 News Journal article did not specify whether franchise revenues from LLCs and LPs were included in the reported \$776.7. In 2024, these entities provided the state with an additional \$497.8 million in revenues. This amount would be good enough for 3rd place today as a standalone revenue source.

3. Abandoned property: \$409.0 million (\$566.5 million in 2014 – a 27.8% reduction)

- Abandoned property (aka escheat) is a gift resulting from Delaware’s corporate franchise. Stocks, bonds, gift cards, uncashed corporate checks, unclaimed balance sheet credits, etc. all count as abandoned property. If the company is incorporated in Delaware, its abandoned property comes here. Delaware played an aggressive game of “grab-that-cash,” but after some lawsuits and pushback, the State moderated the aggressiveness with which it attacked corporations. As a result, this budget item is smaller than in the past. Today, it would rank as the 4th revenue item behind taxes charged to LLCs and LPs. This revenue source is **unlikely to grow much.**

4. Casinos/Lottery: \$245.9 million (\$235.3 million in 2014 – a 4.5% increase)

- When gambling was first permitted in Delaware, there was little regional competition. Now, every state has some gambling. This revenue source has dropped out of the top 5 and **will likely grow little.**

5. Gross Receipts Tax: \$365.2 million (\$226.3 million in 2014 – a 61.3% increase)

- **Delaware has a sales tax**—this is it. While small as a business’s percentage of sales, it is paid whether the business is profitable or not, which is especially damaging during tough economic times. In addition, it is charged to every company along a supply chain and increasingly hurts margins at every step – especially retailers.

6. Corporate Income Tax: \$357.4 million (*Not on the top 5 list from 2014*)

- I added this sixth revenue source for completeness. According to the *Tax Foundation*, Delaware has the [worst corporate tax in the Nation](#). Despite the state's horrible ranking, I expect this tax will increase in the future.

Summary

According to the [Federal Reserve](#), Delaware’s economy is only 2.4% higher today than in 2014. Yet government expenditures have increased by 52.6% over that period (*Source: 2014 and 2024 Budget Bills*).

With several primary revenue sources stagnant (escheat and gambling) and a revenue growth forecast below the inflation rate, the Personal Income Tax and Corporate Income Tax are likely to be raised.

Delaware is sitting on a record \$2.7 billion in COVID-19 cash, so the government could use one-time money to fill any pending shortfall. Another target could be senior citizens, Delaware’s only growth industry. Will the General Assembly go after Grandma?

If presented with the opportunity, candidates should be asked, “What will you do?”