



Analytics

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The Fraser Institute has just released its 2018 economic freedom rankings for the states in the U.S. and Delaware remains ranked a low 39th. Delaware ranked as high as 10th among the states in economic freedom in 2002 and fell precipitously in the rankings following the 2007-08 recession.

The causes for the decline in ranking are straight-forward and confirmed by ratings from other organizations.

Most notably, Delaware ranks 49th among all the states in transfers and subsidies as a percent of personal income. A major driver here is Delaware's very liberal Medicaid system. Delaware also has a higher than average proportion of population on Social Security.

And Delaware ranks 42nd among all states in income and payroll tax revenue as a percent of personal income. Delaware's top marginal personal income tax rate is just 6.6%, however it kicks it at a low household income of \$60,000, thus covering more than half of the households in the state.

Even more consequential is Delaware's high corporate income tax rate. In its recent 2020 Business Tax Climate report, the Tax Foundation ranked Delaware 50th among all the states in corporate income taxes. The strength of Delaware's advantage in corporate law is not sufficient to overcome the state's high corporate income tax rate as evidenced by declining Delaware corporate income tax revenue since FY15.

Repeated research has shown that a higher economic freedom ranking from the Fraser Institute is correlated with improved state economic growth.

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