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RE: The Christiana Mall salutes Pennsylvania

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The sales tax in Pennsylvania is a hefty 6%, while because of the gross receipts tax, the perception is that the sales tax in Delaware is zero. How much of an impact does this have on retail trade in Delaware?

The chart below compares retail sales per $1,000 of residential personal income in New Castle County (NCC) to that of Delaware and Chester counties in Pennsylvania combined. The results are exactly what one would expect.

Chart 1: Retail spending in NCC per $1,000 of residential personal income relative to southeastern Pennsylvania

Source: BOC, Census of retail trade, 2007

Residential personal income in the two southeastern Pennsylvania counties is roughly double that of NCC and a considerable amount of residential spending from Pennsylvania occurs in Delaware. The leading retail beneficiaries of the leaked spending are high price durables. Sales of electronics and appliances in NCC are 318% of the level of sales in southeastern PA. Similarly, NCC department
stores sales are 246% above southeastern PA and furniture sales 210% above. Lower value goods that typically have a more local market, such as health and personal care items and supermarkets, are least benefited from the absence of a Delaware sales tax.

Delaware retail trade is a significant beneficiary of the state’s tax policies and is certainly grateful to Pennsylvania (and Maryland and New Jersey) for their persistently high sales taxes.

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