Delaware

#22

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
22 ▼ 1	50 –	37 ▲ 2	2 –	3 ▼ 1	2 –

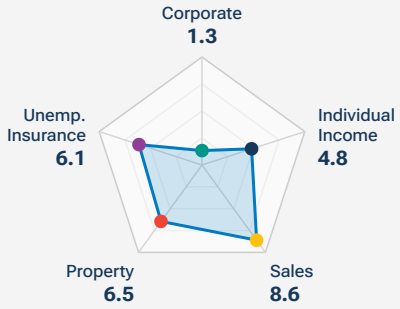
Delaware, despite maintaining several distinctly uncompetitive provisions, ranks slightly above average on the *Index* due to its lack of a sales tax. Delaware has a graduated individual income tax with a top rate of 6.6 percent kicking in at $60,000. In addition, the city of Wilmington collects its own individual income tax of 1.25 percent, the only jurisdiction to do so. Taxpayers in the state also face a marriage penalty, where a household's overall tax bill increases due to a couple marrying and filing taxes jointly.

Delaware has an 8.7 percent corporate income tax rate and is one of only three states with both a corporate income tax and a gross receipts tax (GRT), which applies to gross sales, without deductions for a firm's business expenses, like costs of goods sold and compensation, and without regard for ability to pay. This leads to tax pyramiding, favors high-profit-margin companies, and can cause low-profit-margin firms to cease operations. Most states have abandoned GRTs due to the economic harm and inefficiencies they cause. While the state does conform to Section 174A, allowing for full expensing of research and experimentation investments, it does not conform to bonus depreciation under Section 168(k), allowing only a 20 percent deduction. Delaware also imposes a capital stock tax. The state does benefit, however, from its lack of a state sales tax, as well as its reasonable 0.54 percent effective property tax rate on owner-occupied housing value.

Delaware does not levy an estate or inheritance tax, a notable competitive advantage compared to most of its regional competitors. However, the state does impose an uncompetitive convenience rule and requires nonresident individual income tax filing and withholding for nonresidents who work for even a single day in the state. Delaware is perhaps most notable for policies that make it more attractive as a place in which to incorporate than a state in which to actually conduct significant business operations. Its Court of Chancery, which wins many plaudits, is well outside the scope of the *Index*, while its uniquely favorable treatment of royalty income does not benefit the state on the *Index*.

Component scores

out of 10



Delaware and its neighbors

Overall rank, 2027 Index, with change from 2026

Delaware	#22	▼ 1
Pennsylvania	#30	–
Maryland	#44	▲ 1
New Jersey	#48	▲ 1