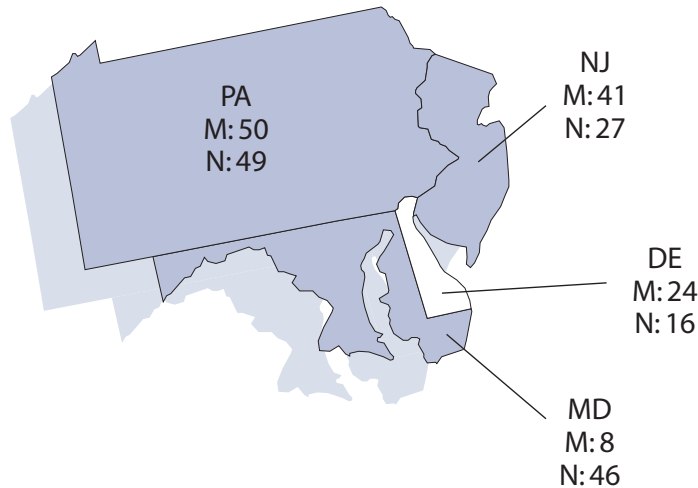


M = Rank for mature firms  
N = Rank for new firms



Delaware ranks 24th overall for mature operations and 16th overall for newly established operations. Specifically:

- Delaware ranks fourth as one of the lowest tax cost states for new capital-intensive manufacturing firms. This operation has a total effective tax rate (TETR) of 4.4 percent, more than 60 percent below the national average. This is driven by two factors: a low property tax burden and the lack of a state sales tax, which significantly reduces the cost of inputs. The property tax burden is low because Delaware does not tax equipment or inventory. The state also has a generous investment tax credit.
- For similar reasons, Delaware ranks eighth for the new labor-intensive manufacturing firm and seventh for the new distribution center. Each of these firm types have tax costs nearly 40 percent below the national average.
- Delaware ranks 45th as one of the highest tax cost states for mature retail operations – perhaps surprisingly, given the state’s lack of a sales tax. Contributing to this ranking is the fact that Delaware is one state of only a handful with a gross receipts tax, whose rate for retail is higher than the comparable rates for manufacturing and services, and which more or less cancels out the benefit of the lack of sales tax. High income tax rates and Wilmington’s very high property tax rate add to the tax burden.
- Similarly, Delaware is among the highest tax cost states (ranking 44th) for mature R&D operations. Delaware’s gross receipts tax is less of a factor for this firm type, but the firm still suffers from a moderately high income tax burden and Wilmington’s high property taxes.

## Delaware

### Corporate income tax

Main tax rate	8.700%
Applies to income over	–
Specific adjustments:	
- s.199 deduction allowed	

Apportionment	Property	Payroll	Sales
Standard factors	33.3%	33.3%	33.3%
Optional alternative	n/a	n/a	n/a
Throwback applies to tangible property sales			No
Interstate services income apportionment			IPA

### Sales and property tax

Metro areas examined		Sales tax	Property tax			
		Main rate <sup>a</sup>	Land	Buildings	Equipment	Inventory
Tier 1	Wilmington	–	3.964%	3.964%	–	–
Tier 2	Dover	–	1.749%	1.749%	–	–
a. No sales tax exists in Delaware						

### Other taxes

Unemployment insurance		State capital tax		Gross receipts tax			Local income tax
Rate	Max. pay			Mfg.	Services	Retail	
3.10%	\$10,500	0.035%	Tier 1	0.194%	0.415%	0.778%	n/a
			Tier 2	0.194%	0.415%	0.778%	n/a

### Incentives for newly established operations

Type	Incentive value	MC	ML	CC	DC	CO	RD	RT
Investment	0.4% of eligible capital investment x 10 years	✓	✓	✓	✓	✓	✓	
Job creation	\$400 per new job x 10 years	✓	✓	✓	✓	✓	✓	
Withholdings	n/a							
R&D	10% of in-state R&D expenses, per federal concepts						✓	
Property tax	50% abatement x 5 years	✓	✓		✓			

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

### Results

	Newly established operations								Mature operations									
	Tier 2 operations				Tier 1 operations				AVG	Tier 2 operations				Tier 1 operations				AVG
	MC	ML	CC	DC	CO	RD	RT	MC		ML	CC	DC	CO	RD	RT			
TETR	4.4%	7.4%	21.9%	22.9%	13.3%	19.5%	31.3%		9.5%	9.5%	21.1%	26.5%	14.0%	16.5%	21.4%			
Index	38.9	63.0	87.9	63.5	82.1	132.1	96.3	<b>80.5</b>	74.6	81.3	100.5	86.4	88.9	128.3	126.5	<b>98.1</b>		
Rank	4	8	17	7	18	37	23	<b>16</b>	13	19	28	17	17	44	45	<b>24</b>		

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store