

Delaware

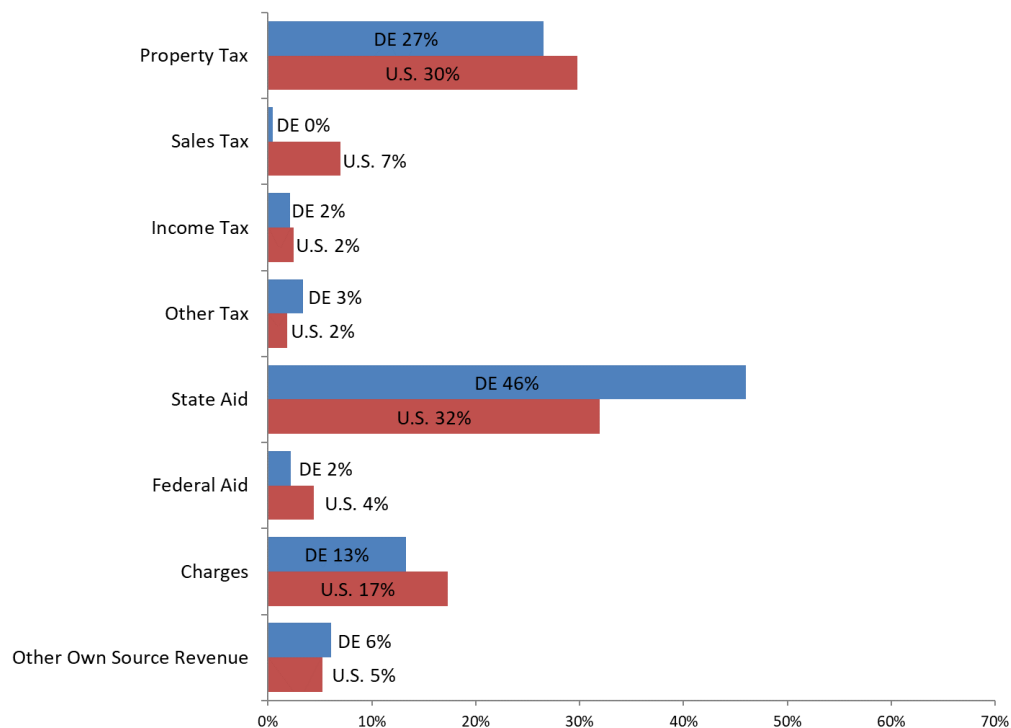
Highlights

Delaware is a small state (second smallest after Rhode Island) with only three counties. It is known as a corporate tax haven, a reputation that derives from its favorable corporate tax policy, regulations, and court system (Wayne 2012). Indeed, most companies in the Fortune 500 are incorporated in Delaware (Barone et al 2014).

Local governments in Delaware are less dependent on the property tax than are most other states and much more reliant on state aid (figure DE-1).

Delaware is unusual in the extent to which county governments are important in administering the property tax, with little interference by state government. For example, the following differ among the three counties: tax payment dates, deadlines for appealing an assessment, treatment of tax-exempt property, abatements and incentives, and property taxation of agricultural property. At the same time, Delaware has no provision for central assessment of property and there is no state commission for equalizing assessments within or among the counties (Wolters Kluwer 2017).

Figure DE-1
Sources of Local General Revenue, Delaware and the U.S., 2014



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Delaware is among the least property tax-reliant states in the nation (table DE-1).

Table DE-1
Selected Delaware Property Tax Statistics, 2014¹

	Delaware	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$829	\$1,464	46
Property tax percentage of personal income	1.8%	3.2%	48
Total property tax as percentage of state-local revenue	8.5%	16.9%	47
Median owner-occupied home value ²	\$231,500	\$178,600	16
Median real estate taxes paid for owner-occupied home ²	\$1,243.00	\$2,149.00	39
Effective tax rate, median owner-occupied home ³	0.5%	1.2%	48

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

¹ All revenue numbers in this table include the state government as well as local governments.

² The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2011-2015.

³ Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property taxes in Delaware are imposed at the local level to fund municipal and county governments as well as school districts. If located within an incorporated area, real estate is subject to county property taxes, school district property taxes, vocational district taxes, and municipal property taxes. There are no state-level property taxes. In general, tax rates are the same for all types of property, including residential, industrial, and commercial. Personal property is not taxed.

In New Castle County, properties are assessed at 100 percent of market value, and property assessments are based on 1983 property values. In Kent County, properties are assessed at 60 percent of market value, and property assessments are based on 1987 property values. In Sussex County, properties are assessed at 50 percent of market value, and property assessments are based on 1974 market values. In Delaware, there is no fixed schedule for revaluation of property.

Limits on Property Taxation

Delaware imposes a county property tax levy cap that restricts increases in the property tax levy following a reassessment to 15 percent or less. The state also limits the tax rate for vocational-technical school districts, with different limits for each county. Kent County restricts the county property tax rate

to 50 cents per \$100 of assessed value, a limitation that does not apply to tax rates of taxing districts within the county.

Property Tax Relief and Incentives

Delaware offers a homestead exemption called the Senior Property Tax Relief Program to homeowners over age 65 but only if income does not exceed \$3,000 for single individuals or \$6,000 for married couples. The maximum exemption is \$5,000. The state also helps fund a Senior Property Tax Credit against school taxes that is 50 percent of taxes remaining after the homestead exemption, up to a set dollar cap.

There are no income-based property tax circuit breakers in Delaware (table DE-2). The state provides for current-use valuation of forest and agricultural land.

Delaware also authorizes municipal tax increment financing (TIF). Property tax exemptions exist in the City of Wilmington for certain definitions of new construction, qualified improvements, and properties in historic districts of the City. At-risk or deteriorating properties that are improved are also eligible for property tax abatements. The cities of Newark and New Castle have adopted similar programs. Kent and Sussex Counties have property tax incentive programs for businesses intended to provide long-term employment opportunities for their residents.

Table DE-2
Property Tax Features of State Governments, United States, 2015

Feature	Delaware	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	19
Circuit breaker property tax relief program	No	34

Sources: Significant Features of the Property Tax

Key Property Tax History

The earliest example of a state-imposed limit on property tax rates was enacted in 1852 in Delaware's Kent County. The state also enacted a rate limit on vocational-technical school property tax rates in 1953 and on county property tax levies in 1972 (Paquin 2015).

There has been considerable discussion in the state about the option of a statewide reassessment of residential and commercial properties. In 2008, a committee charged by the legislature under House Joint Resolution 22 recommended that the state take on the role of implementing such a comprehensive reassessment at 100 percent of market value with annual revaluations. In 2010, a League of Women Voters study of property tax reassessment concluded that, "reassessment is extremely important for taxpayer equity, the distribution of school Equalization Funds and to provide simplicity for the property tax system statewide" (Delaware League of Women Voters 2010).

Recent Developments

As the 2017 legislative session began, the state faced its largest budget gap since the 2008 recession (Albright 2017b). As part of its effort to balance the budget, lawmakers reduced the benefits from the Senior School Property Tax Credit. The maximum benefit a senior can receive has been reduced from \$500 to \$400 (Albright 2017b).

Resources

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