

Delaware

Highlights

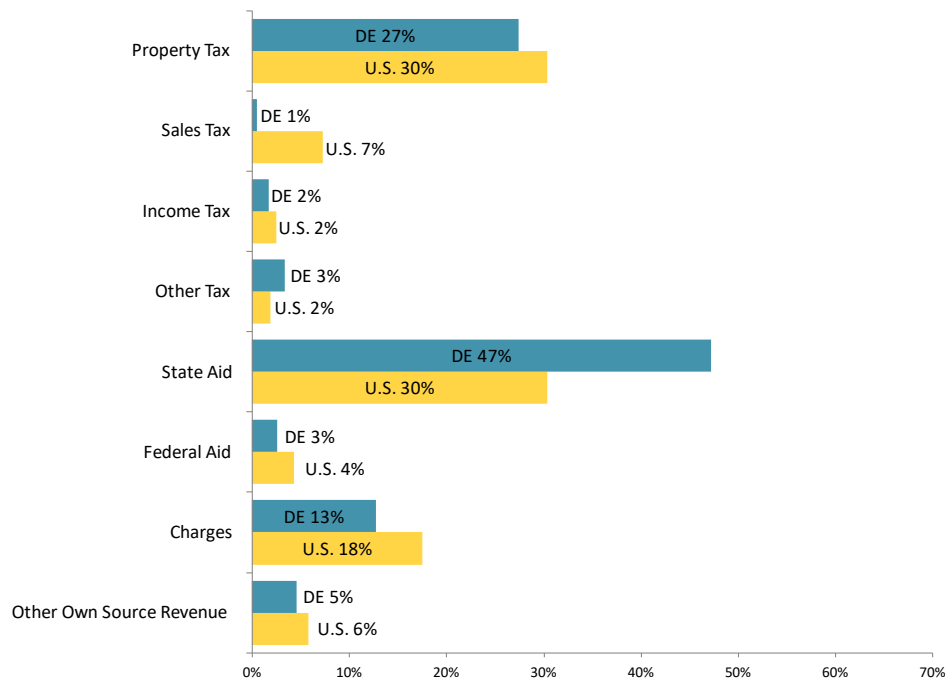
Delaware is a small state (second smallest after Rhode Island) with only three counties. It is known as a corporate tax haven, a reputation that derives from its favorable corporate tax policy, regulations, and court system. Indeed, most companies in the Fortune 500 are incorporated in Delaware (Delaware Division of Corporations 2022).

Local governments in Delaware are less dependent on the property tax than they are in 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 (Significant Features of the Property Tax).

Figure DE-1

Sources of Local General Revenue, Delaware and the U.S., 2020



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, 2020¹

	Delaware	U.S. Average	Rank (of 51) 1 is highest
Per capita property tax	\$1,049	\$1,810	43
Property tax percentage of personal income	1.9%	3.1%	46
Total property tax as percentage of state-local revenue	8.0%	16.6%	49
Median owner-occupied home value ²	\$258,300	\$229,800	18
Median real estate taxes paid for owner-occupied home ²	\$1,468	\$2,551	39
Effective tax rate, median owner-occupied home ³	0.6%	1.1%	46

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 2016–2020.

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-technical school district property 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. Prior to legislation passed in 2023, Delaware had no fixed schedule for revaluation of property (Wilson and Kuang 2020). The three counties agreed to reassess property after a judge ruled the property tax system unconstitutional in 2020 due to the use of outdated property values (*Delawareans for Educational Opportunity v. Carney*). Once the reassessments are complete, the counties must begin reassessing every five years under House Bill 62 which was enacted in 2023.

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 (Significant Features of the Property Tax).

After a reassessment, Delaware counties and municipalities must calculate a rolled-back rate (one which yields the same tax revenue as in the fiscal year prior). When proposing a tax rate higher than the rolled-back rate, the county or municipality must indicate the percentage increase in the tax rate and advertise it up to 15 days before a meeting is held to consider the tax rate increase (Significant Features of the Property Tax).

Property Tax Relief and Incentives

Delaware offers a homestead exemption called the Senior Property Tax Relief Program to homeowners age 65 or older but only if income does not exceed \$3,000 for single individuals or \$6,000 for married couples. The maximum exemption is \$5,000. Each of the three counties in the state has different income eligibility requirements and increased the exemption amounts.

The state also helps fund a Senior School Property Tax Credit against school property taxes that is 50 percent of taxes remaining after the homestead exemption, up to \$500 in 2022. Taxpayers who have moved to Delaware since 2018 become eligible to apply after they have resided in the state for 10 years. There are no property tax circuit breakers in Delaware (table DE-2). The state provides for current-use valuation of forest and agricultural land.

Delaware also authorizes municipalities and two counties (New Castle County and Kent County) to create tax increment financing (TIF) districts. Local governments may abate local taxes for qualifying projects in designated Downtown Development Districts (Significant Features of the Property Tax).

Property tax exemptions exist in the City of Wilmington for certain commercial property developments—new construction, redevelopment, or renovation—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
Delaware Property Tax Features, 2021

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	17
Circuit breaker property tax relief program	No	31

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). After a major court ruling in 2020, all three counties agreed to reassess all property between 2023 and 2025 (Mace 2023). In 2023, Governor John Carney signed a law establishing a five-year reassessment cycle for Delaware’s counties (Valdez 2023).

Until 2018, Delaware was one of only five states with no litigation of the constitutionality of its education finance system. In January 2018, Delawareans for Educational Opportunity and the NAACP Delaware challenged the constitutionality of the state’s education system on adequacy and equity grounds. The lawsuit cited poor performance of disadvantaged students and funding disparities that disproportionately benefit affluent students. In *Delawareans for Educational Opportunity v. Carney*, the plaintiffs placed blame for funding disparities in part on the counties’ irregular assessment standards and artificially low valuations. Delaware Chancery Court Judge Travis Laster split the lawsuit into two cases: one on tax fairness issues and the other on educational adequacy claims.

Recent Developments

Parties reached a settlement on the educational adequacy issue in October 2020, requiring Governor John Carney to propose legislation making weighted school funding permanent (Kuang and Alamdari 2020). In June 2021, Governor Carney signed Senate Bill 56. The new law ensures direct, classroom-based support for low-income students and English language learners, more than doubling the funding to \$60 million annually by fiscal year 2025 (Delaware Office of the Governor 2021).

In May 2020, Judge Laster ruled that Delaware's property tax system is unconstitutional as all three counties calculate property taxes based on outdated property valuations, so that some taxpayers whose property values have increased over the past several decades get a substantial reduction in property taxes while others who live in economically depressed areas pay more property taxes than they should. The judge found these inequities violate the constitutional requirement that property owners be taxed uniformly and a state law requiring that property be assessed at fair market value (Chase 2021; Wilson and Kuang 2020).

By April 2021, all three counties settled the lawsuit and agreed to conduct property reassessments in their counties. All three counties are using Tyler Technologies to conduct the reassessment. Kent County is scheduled to send out tentative assessment notices in late 2023 and New Castle in late 2024. Sussex County was scheduled to have the reassessment done in 2024, but this was pushed to 2025 due to staffing issues at Tyler Technologies (Mace 2023). In August 2023, the governor signed House Bill 62 into law, making reassessment mandatory in each county every five years (Valdez 2023).

In 2022, the Senior School Property Tax Credit was increased from \$400 to \$500 (Kiefer 2023). Introduced in April 2023, House Bill 29 would further increase the Senior School Property Tax Credit to \$750 (Delaware House Bill 29). Opponents of the bill are worried about the growing number of seniors in the state, while proponents are concerned about how the rising cost of living is affecting the senior population (Kiefer 2023).

Resources

Chase, Randall. 2021. "School Funding Suit Prompts Delaware Property Reassessments." *Associated Press*. April 13. <https://apnews.com/article/lawsuits-delaware-new-castle-dover-c18f45ccc4c0e172b330aa44197c7369>.

City of Newark, Delaware. Finance Department. "Partial Tax Exemptions."

City of Wilmington, Delaware. "Incentives Offered by the City of Wilmington." <https://www.wilmingtonde.gov/government/city-offices/economic-development/city-business-incentive-programs>.

Delaware Department of Finance. "Application for Senior Property Tax Credit." https://financefiles.delaware.gov/docs/ssptc_app.pdf.

———. “Senior School Property Tax Relief.” <https://finance.delaware.gov/financial-reports/senior-school-property-tax-relief/>.

Delaware Division of Corporations. 2023. “Delaware Division of Corporations: 2022 Annual Report.” <https://corpfiles.delaware.gov/Annual-Reports/Division-of-Corporations-2022-Annual-Report-cy.pdf>.

Delaware Office of the Governor. 2021. “Governor Carney Signs Legislation to Expand and Make Permanent Opportunity Funding in Schools.” *Delaware News*, June 30. <https://news.delaware.gov/2021/06/30/governor-carney-signs-legislation-to-expand-and-make-permanent-opportunity-funding-in-schools/>.

Delaware League of Women Voters. 2010. “Property Tax Reassessment in Delaware.” (Spring). https://my.lwv.org/sites/default/files/leagues/wysiwyg/Delaware/reassessment_report_-_lwvde.pdf.

Kiefer, Paul. 2023. “Latest Senior Property Tax Credit Discussion Underscores Growing Concerns About Retiree Benefits.” *Delaware Public Media*. April 9. <https://www.delawarepublic.org/politics-government/2023-04-09/latest-senior-property-tax-credit-discussion-underscores-growing-concerns-about-retiree-benefits>.

Kuang, Jeanne, and Natalia Alamdari. 2020. “Settlement of Delaware Education Suit Promises Historic Changes.” *Delaware Online*. October 12. <https://www.delawareonline.com/story/news/2020/10/12/delaware-settles-education-funding-lawsuit/5973782002/>.

Mace, Ben. 2023. “Property Tax Reassessment Process Extended in Sussex County Because of Staff Shortages.” *Delaware Online*. May 18. <https://www.delawareonline.com/story/news/2023/05/18/property-reassessment-process-sussex-county-delaware-new-castle-county-tyler-technologies-staffing/70227654007/>.

Office of State Planning Coordination. “Downtown Development Districts Program.” <https://stateplanning.delaware.gov/about/ddd.shtml>.

Paquin, Bethany P. 2015. “Chronicle of the 161-Year History of State-Imposed Property Tax Limitations.” Working paper WP15BP1. Cambridge, MA: Lincoln Institute of Land Policy. www.lincolninst.edu/publications/working-papers/chronicle-161-year-history-state-imposed-property-tax-limitations.

Significant Features of the Property Tax. www.lincolninst.edu/research-data/data-toolkits/significant-features-property-tax. Lincoln Institute of Land Policy and George Washington Institute of Public Policy.

State of Delaware. 2017. “Delaware Data Book.” Delaware Economic Development Office. (April). https://business.delaware.gov/wp-content/uploads/sites/118/2017/09/DE_DataBook.pdf.

Wayne, Leslie. 2012. “How Delaware Thrives as a Corporate Tax Haven.” *New York Times*, June 30. www.nytimes.com/2012/07/01/business/how-delaware-thrives-as-a-corporate-tax-haven.html.

Wilson, Xerxes, and Jeanne Kuang. 2020. "Judge Rules Delaware Property Tax System Unconstitutional; Major Changes to Residents' Bills Could Follow." *Delaware Online*. May 8.

<https://www.delawareonline.com/story/news/2020/05/08/judge-delaware-property-tax-system-unconstitutional-changes-coming/4889814002/>.

Valdez, Benjamin. 2023. "Delaware Counties Now Must Reassess Real Property Every Five Years." *State Tax Notes*. August 21. <https://www.taxnotes.com/tax-notes-state/legislation-and-lawmaking/delaware-counties-now-must-reassess-real-property-every-five-years/2023/08/21/7h2by>.

Publication Date

October 2023