

The following information is from Kiplingers.com. They rate Delaware as the sixth most tax friendly state in America.



The First State is one of the tax-friendliest states for retirees. It has no sales tax. Its income tax rates are modest. Social Security benefits are exempt, and taxpayers over 60 can exclude \$12,500 of investment and qualified pension income from state income taxes. Homeowners 65 and older may qualify for a credit equal to half of school property taxes, up to \$500.

### **State Sales Tax**

Delaware does not impose a state or local sales tax.

### **Income Tax Range**

**Low:** 2.2% (on taxable income from \$2,001 to \$5,000)

**High:** 6.75% (on taxable income above \$60,000). The rate will decrease to 6.6% beginning January 1, 2014.

### **Social Security**

Benefits are not taxed.

### **Exemptions for Other Retirement Income**

Railroad Retirement benefits are exempt. Taxpayers 60 and older can exclude \$12,500 of investment and qualified pension income. Out-of-state government pensions qualify for the pension and retirement exemption. For those younger than age 60, \$2,000 of investment and qualified pension income is exempt. If you are 65 or older on December 31, you are eligible for an additional standard deduction of \$2,500 (if you do not itemize).

## **Property Taxes**

Real estate is subject to county, school district, vocational school district and municipal property taxes. Property is valued at different percentages according to locality. Median property tax on the state's median home value of \$249,400 is \$1,078, according to the Tax Foundation.

**Tax breaks for seniors:** Homeowners 65 and older can get a credit equal to half of school property taxes, up to \$500. However, residents who moved to Delaware after December 31, 2012, cannot receive the credit until they have lived in the state for three consecutive years. If both people in a married household are 65 or older, only one school tax credit will be given to the household per year. If only one member is 65 or older, that person may still apply for the full tax credit. Those 60 and older may be eligible for an exclusion if earned income is less than \$2,500, and they are automatically entitled to a personal credit of \$110. Additional exemptions for senior citizens are available, but they vary by county.

## **Inheritance and Estate Taxes**

Delaware's estate-tax exemption is \$5.25 million for 2013. The maximum estate-tax rate is 16%. There is no inheritance tax.