

The Revenue Impact of Corporate Tax Incentives

The Governmental Accounting Standards Board (GASB) is the professional organization that establishes standards of accounting and financial reporting for state and local governments. In 2015, GASB added "[Statement No. 77 on Tax Abatement Disclosures](#)" to its Generally Accepted Accounting Principles (GAAP). GASB 77 requires most state and local governments (including school districts) to report tax abatement programs (if they have such a program/s) in their annual comprehensive financial reports (ACFRs), specifying the **amount of revenue reduced or foregone** as a result of these tax abatements programs. This new rule, GASB 77, allows the public to see how much money for public services is lost to tax breaks given to corporations. This fact sheet summarizes that foregone revenue for the five most populous cities, counties, and school districts (where available) and the state itself in Delaware.

Between fiscal years 2017 and 2021, the state of Delaware, its five largest cities, and all three of its counties **lost over \$72 million** due to economic development tax breaks – about as much as the state spends educating a third of its students. Of these costs, 92% were lost to the state. The table below represents **only** the five most populous cities, all three Delaware counties, and the state itself (school districts do not report since they are not independent bodies).

Foregone Tax Revenue, Five Most Populous Cities, Counties and State of Delaware					
	2017	2018	2019	2020	2021
City of Bear	No Disclosure	No Disclosure	No Disclosure	No Disclosure	No Disclosure
City of Dover	No Disclosure	No Disclosure	No Disclosure	No Disclosure	No Disclosure
City of Middletown	No Disclosure	No Disclosure	\$96,079	\$99,525	\$99,525
City of Newark	No Disclosure	No Disclosure	No Disclosure	No Disclosure	No Disclosure
City Wilmington	\$1,070,483	\$1,035,273	\$847,521	\$1,442,623	\$1,292,023
Kent County	\$5,716	\$1,240	\$189	\$94	\$7,748
New Castle County	\$0	\$0	\$0	\$0	\$39,076
Sussex County	No Disclosure	No Disclosure	No Disclosure	No Disclosure	No Disclosure
State of Delaware	\$11,614,000	\$11,042,000	\$8,937,000	\$20,367,000	\$14,205,000
Annual Total	\$12,690,199	\$12,078,513	\$9,880,789	\$21,909,242	\$15,643,372
Selected Cities, Counties, and State Five-Year Total: \$72,202,115					

Source: Annual Comprehensive Financial Reports for the reported jurisdictions

The statewide total is presumably much higher, both because the state has a total of 57 towns and cities, and because three of the five biggest cities did not disclose any abatement losses (and a fourth only disclosed in some years).

Despite those factors, the visible spending trend is up: over the five years, annual revenue losses increased from \$12.7 million to \$15.6 million— an increase of 23%.

Key findings:

- **Revenue losses for the State of Delaware increased by 22%** from \$11.6 million in 2017 to over \$14.2 million in 2021. This increase is due to two tax abatement programs: the Bank Franchise Tax Job Creation Credit and the Historical Preservation Credit.
- **Revenue losses for Kent County increased by 36%**, from \$5,700 in 2017 to \$7,700 in 2021, due to tax breaks for a casino, convenience store, hotel, and a manufacturer.
- **The City of Wilmington lost a total of \$5.7 million**, largely due to a steady increase in the City's 10-year abatement of City Real Estate Taxes, which is a Tax Increment Financing (TIF) program benefitting construction, redevelopment and even improvement projects including residential properties. TIF agreements capture the increase in property taxes, resulting from new development, and divert that revenue to subsidize new development or re-development. Wilmington's Annual Comprehensive Financial Report (ACFR) provides no details about the recipient companies or specific TIF deals.
- Middletown's ACFR only includes tax abatement disclosures for three years (2019-2021). During that period, **75% of Middletown's tax revenue loss were due to tax breaks for Amazon.**

Again: these findings are only from eight Delaware cities and counties. The state has a total of 57 cities and towns and three counties.

***Note: School district data are excluded.** Delaware is one of the six Northeastern states where most school districts do not issue their own financial reports. The budgets and finances of the remaining (local) districts are incorporated into the towns' financial statements.*

For more information about these abatements, see taxbreaktracker.goodjobsfirst.org.
For company-specific information, see subsidytracker.goodjobsfirst.org.