

**DELAWARE DIVISION OF REVENUE**  
**March 17, 2021**

**SUBJECT: UPDATE RE: EXEMPTION OF 2020 UNEMPLOYMENT  
COMPENSATION FROM STATE INCOME TAXATION**

**FOR INFORMATION, CONTACT:**  
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The American Rescue Plan (ARP) includes a retroactive provision that makes the first \$10,200 of tax year 2020 unemployment benefits nontaxable if your modified adjusted gross income is less than \$150,000. For married couples, each person may exclude up to \$10,200 of their unemployment benefits if their combined modified adjusted gross income is less than \$150,000. Earlier this year, Delaware's General Assembly passed a law that exempted all unemployment benefits received in 2020 from income taxation in Delaware. This document provides guidance to taxpayers about how to exclude unemployment benefits from income on their 2020 Delaware income tax return in light of the change to Federal law.

For Delaware resident taxpayers, the amount of unemployment compensation in excess of the first \$10,200 per person that was NOT already excluded in your federal adjusted gross income (AGI), should be included on line 36 of form 200-01. To determine the amount to be excluded on your Delaware return, subtract the total unemployment exclusion amount reported on your IRS 1040 or 1040-SR, Schedule 1, line 8, from the total unemployment compensation amount listed on form 1099G to determine the amount of unemployment compensation that may be included on line 36 of the Delaware return. This will reduce your Delaware adjusted gross income by the amount of unemployment compensation that was not excluded on your federal return.

For Delaware non-resident taxpayers, the amount of unemployment compensation included in your federal adjusted gross income (AGI) should be included on Form 200-02, line 25, column 1. This will reduce your Delaware adjusted gross income by that amount. If it is Delaware source income (i.e., paid by the Delaware Department of Labor), it should be included on Form 200-02, line 25, column 2. This will reduce your Delaware source income by that amount. If you have received unemployment benefits from Delaware and other states, the total unemployment compensation received may be included on Form 200-02, line 25, column 1, but only the Delaware unemployment compensation may be included on Form 200-02, line 25, column 2. To determine this amount, the unemployment compensation shown on your IRS 1040 or 1040-SR Schedule 1, line 7 should be included on Form 200-02, line 12, column 1. Column 2 should include only the amount of unemployment income received from the Delaware Department of Labor. The amount of the unemployment exclusion from your IRS 1040 or 1040-SR Schedule 1, line 8 should be included on Form 200-02 line 14, column 1 with the amount associated with Delaware source income in column 2. The amount on your form 200-02, line 25, should be calculated by subtracting the amount on line 14 from line 12.

If you have any questions about this update, please contact the Delaware Division of Revenue at the number or email set forth above.