

# Delaware Voluntary Tax Compliance Initiative

## Frequently Asked Questions

Following are FAQ's on the upcoming Delaware Voluntary Tax Compliance Initiative, or VTCl. Additional information on payment arrangements, web resources, mailing addresses, and telephone contact numbers will be forthcoming in August. These FAQ's are designed to provide general information on the VTCl. For specific details, please refer to Delaware House Bill No. 268.

### 1. What is the Initiative?

The Initiative is a one time, limited offer by the State of Delaware to forgive penalties and interest for Taxpayers who file voluntary tax returns and pay eligible taxes. (Penalties can accrue up to 75% of the tax. Interest can accrue at rates up to 1% per month without limitation).

### 2. What are the benefits of the Initiative to Taxpayers?

If, during the limited time of the Initiative, a taxpayer either

- (a) Files a voluntary tax return(s) and pays the tax reported due, or
- (b) pays eligible taxes the assessment of which became final before the commencement date of the Initiative, then

the State of Delaware will

- (a) forgive all penalty, interest and collection costs (court costs) that may otherwise become due,
- (b) forgive taxes reported due on returns filed for periods ending before January 1, 2004, and
- (c) offer installment payment arrangements until June 30, 2010 for payment of eligible tax due, subject to approval and a showing of financial need.

### 3. When will the Initiative be available?

The Tax Amnesty period begins on September 1, 2009, and ends on October 30, 2009.

### 4. Who may qualify for the Initiative?

The Initiative is available to both individuals and businesses who owe certain eligible taxes for any tax period(s) ending before January 1, 2009 and that are unpaid on September 1, 2009, if they:

- Did not file one or more tax returns required to be filed by Delaware law;
- Owe eligible taxes which were previously reported due by the Taxpayer or were assessed by the Division of Revenue and which they have not yet paid; or
- File amended returns or otherwise report changes in the amount of their income, itemized deductions, exclusions or exemptions which increase their total tax due for a tax period.

### 5. What are eligible taxes under the Initiative?

Eligible taxes include the following taxes (and additions to tax) that were due for any tax period ending before January 1, 2009, and unpaid as of September 1, 2009:

- Personal income tax
- Withholding tax
- Gross receipts tax
- Gift tax
- Estate tax
- Income tax on estates and trusts

- Corporation income tax
- Occupational license fees and tax
- Contractors' license fees and tax
- Manufacturers' license fees and tax
- Retail and Wholesale Merchants' license fees and tax
- Use tax and gross receipts tax on leases of tangible personal property
- Tobacco product license fees and tax
- Realty Transfer tax
- Public Utilities tax
- Lodging tax

In addition, the above listed taxes due from partners, shareholders or members of pass-through-entities filing a voluntary tax return are also eligible.

## **6. What is a “voluntary tax return”?**

A voluntary tax return is a complete and accurate tax return that is required to have been filed pursuant to Title 30 of the Delaware Code but where (a) the taxpayer did not file a timely return for the same tax type and tax period, and (b) the Division of Revenue has not notified taxpayer that it cannot verify that the taxpayer filed a return for the same tax type and tax period. A voluntary tax return filed pursuant to the Initiative shall constitute an admission by the taxpayer that it was not filed on or before its due date and that there exists no reasonable cause therefore.

## **7. What happens if a Taxpayer does not abide by the terms of the Initiative?**

If a taxpayer does not pay all the eligible tax during the term of the Initiative or if any installment arrangement for payment of eligible taxes acceptable to the Director of Revenue is not executed during the term of the Initiative and paid on or before June 30, 2010, penalty and interest equal to the amount of delinquent penalty and interest imposed by the law for nonpayment of the tax shall be added to the balance and deemed payable without protest.