

STATE OF DELAWARE
DEPARTMENT OF FINANCE

DIVISION OF REVENUE
INFORMATION CIRCULAR NO. 76-6

December 6, 1976

TO: All Tax Preparers
FROM: Louis N. Megargee, Director of Revenue
SUBJECT: 1976 Personal Income Tax Changes, Revisions and General Information.

Unlike the changes and problems that have been initiated for Federal Income tax purposes by the Tax Reform Act of 1976, the legislature of the State of Delaware did not enact any legislation pertaining to the Personal Income Tax Laws that will affect the preparation of 1976 State of Delaware Personal Income Tax Returns.

Therefore, in lieu of our usual Tax Seminars, we thought that we could impart our message to you regarding preparation of the 1976 Delaware Personal Income Tax Returns by way of this newsletter.

We will cover what we think are the important matters for you to consider in planning your work for the forthcoming tax return preparation season. However, if after you have reviewed the information in this newsletter, you still have specific questions or problems that you would like for us to address, we will have our special representative, John Maciejewski, available in your area on the following schedule:

SUSSEX COUNTY AREA

Tuesday, December 14, 1976 - 10:00 a.m. to 3:00 p.m.
Division of Revenue
Route 113, duPont Highway
Georgetown, DE 19947 Telephone: 856-5359

KENT COUNTY AREA

Thursday, December 16, 1976 - 10:00 a.m. to 3:00 p.m.
Division of Revenue
20 E. North Street
Dover, DE 19901 Telephone: 678-5251

NEW CASTLE COUNTY AREA

Wednesday, December 29, 1976 - 10:00 a.m. to 3:00 p.m.
Division of Revenue
601 Delaware Avenue
Wilmington, DE 19899 Telephone: 571-3321

Please feel free to call or visit the office nearest you and speak with John Maciejewski regarding your specific question or problem on these dates. Needless to say, of course, our regular and permanent Public Service personnel are also ready to help you with your problems.

Regarding 1976 tax return forms, they will be late this year. This is again due to delays caused by necessity of Internal Revenue Service to

redraft the Federal Forms in light of the 1976 Federal Tax Reform Act. Since we refer to line numbers on the Federal returns and schedules, we have been unavoidably held up in finalizing our forms.

With all of this delay, we will have the Personal Income Tax Forms available for distribution during the week of December 13, 1976. The Corporation, Partnership and Fiduciary returns are still awaiting Federal line number revisions and verification and will be available shortly after receipt of these Federal line numbers. Your forms request orders will be filled as rapidly as possible. A Forms Request sheet is attached for your use. We sincerely regret any inconvenience these delays may cause you and appreciate your cooperation in this matter.

The following items are specifically brought to your attention with regard to State of Delaware Personal Income Tax return preparation for tax year 1976:

The 1976 Delaware Resident Individual and Part Year/Non-Resident Income Tax Returns have not been substantially changed since last year. We have, however, changed the color of the returns to make them more easily identifiable. The Resident Individual Income Tax Return is a light yellow, and the Part Year/Non-Resident Individual Income Tax Return is pale blue.

The balance due and overpayment lines have been rearranged to avoid entering a balance due or overpayment on the wrong line. There is still only one block at the bottom of the tax return labeled "PAY IN FULL" but there are three blocks referring to overpayments; 1) "NET OVERPAYMENT; 2) "REFUNDED TO YOU" and 3) "CREDIT TO 1977 ESTIMATED TAX". These three blocks have been placed on the return in a manner that will hopefully eliminate overpayments that taxpayers desired refunded from being credited to 1977 Estimated taxes in error. Taxpayers in the past had often entered the amount they wanted to be refunded on the estimated carryover line inadvertently.

The last minor change on the returns this year is the addition of an example of how to compute the tax liability on the Tax Rate Schedule. Hopefully this will eliminate problems caused by fractional percentages and decimal points.

The Tax Reform Act of 1976 has caused many changes in the determination of Federal Adjusted Gross Income and the computation of the tax liability. The State of Delaware has been "piggyback" to the Federal Statutes since 1/1/71. Those changes that affect adjusted gross income will be allowable on the Delaware Income Tax Return. However, those changes that affect Federal tax computation, i.e. credit for the elderly, credit for child care, etc., will not be allowed since there is no provision, in the Delaware Code, for such credits against the Delaware Tax Liability.

There was no legislation affecting the treatment of capital gains on the 1976 Delaware Income Tax returns. House Bill #1297 changes the treatment of long term capital gains for tax years beginning 1/1/77.

Again, we ask you to check these basic items and make certain these small but important items are correct:

1. Are name and address correct? Please use label if it is correct. "Good" label returns process faster.

2. Social Security Number(s), are they correct & legible?
3. Have you checked the correct filing status?
4. Are ALL W-2 forms attached?
5. Sign and date return. (Both you and your client).

WITHHOLDING TAX

We again ask you to counsel your clients regarding the MONTHLY withholding reporting and paying requirements for Delaware. The Division has been very liberal during 1976 in compromising and adjusting assessed penalties for late filed monthly withholding tax returns. However, beginning with January 1, 1977 assessed penalties for late filed withholding tax returns will stand. Please advise your clients of their responsibilities in this area.

One final reminder, please avail yourselves of John Maciejeski on the dates listed above, for any special question or problems you may have with regard to the 1976 Delaware Income Tax Returns and, of course, our regular Taxpayer Assistance personnel throughout the year.


Louis N. Megargee
Director of Revenue

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