

STATE OF DELAWARE
DEPARTMENT OF FINANCE
DIVISION OF REVENUE
601 DELAWARE AVENUE
WILMINGTON, DELAWARE 19899

TAX NEWSGRAM 72-25

February 2, 1972

Schedule 4 - PERSONAL INCOME TAX

Determination of amount earned or received before 7/31/71
and amounts earned or received on or after 8/1/71.

The question has been raised as to the method to be used by
taxpayers for determining the amounts received before and after 7/31/71.

Definitions:

Cash basis taxpayer income is the amount received, available or
constructively received as of 7/31/71.

Accrual basis taxpayer is proper amount accrued as of 7/31/71.

The following makes specific reference to the cash basis
taxpayers:

(1) Compensation for services, including fees, commissions, and
similar items include amounts which have been received and are available
as of 7/31/71. It does not include amounts which were earned but not
available on 7/31/71. For example, taxpayers who were usually paid
8/1/71 or later for services rendered before 7/31/71 would include the
compensation as earned after 7/31/71.

(2) Gross receipts derived from business.
Amounts received up to and including 7/31/71 would be
included in the 7/31/71. The deposit on 8/1/71 of receipts of 7/31/71
would be deemed as 7/31/71 receipts.

(3) Total capital gains or net allowable losses.
Taxable would use the same criteria as used at the end of
the year to determine the date of the transaction.

(4) Total rentals.
Advance rentals would be considered income when received
rather than when due. If the landlord has received rent on July 29, 1971
for payment due August 1 the payment would be included as before 7/31/71.
On the other hand payment received 8/2/71 for rent due 7/31/71 would be
included as after 8/1/71.

TAX NEWSGRAM 72-25

(5) Total dividends.

When actually available. The date on the check would govern not the date deposited in the bank or cashed.

(6) Distributive shares of partnership income.

If the individual partner or partners have performed services for the partnership or Subchapter "S" corporation the distributable share of partnership income would be based on gross receipts of the partnership as per item 2 above. Each individual partner would include the pro rata share of receipts.

The same would hold true for a Subchapter "S" corporation with a taxable year beginning on or after 1/1/71.

If the partner or partners had only contributed capital, the income would be reported at the time of distribution or taxability. The dates of the receipt or constructive receipt of other types of income would be a prime factor in determining the period of taxability.



J. H. Kennedy
Director of Revenue

jvm

DISTRIBUTION: B and C