



STATE OF DELAWARE  
DEPARTMENT OF FINANCE  
DIVISION OF REVENUE  
601 Delaware Avenue  
Wilmington, Delaware 19899

TAX NEWSGRAM 75-7

April 24, 1975

- License Requirements and Fees - Retailers - (Chapter 29, Title 30, Delaware Code).

House Bill No. 222, 128th General Assembly, approved on March 27, 1975, makes substantial revisions in the business license requirements and fees relating to retailers.

Retailers (General)

The new law makes the following changes in regard to retailers (other than restaurant retailers):

- (1) Each retailer is required to obtain one basic license annually at a fee of \$50.00, plus a fee of \$10.00 for each separate branch or business location.
- (2) The license year is changed from a fiscal year ending June 30 to a calendar year ending December 31. Effective July 1, 1975, license renewals and new licenses will be issued for a six-month period ending December 31 at one half the above basic rate (\$25.00, plus \$5.00 for each separate branch). Effective January 1, 1976, license renewals and new licenses will be issued for the calendar year ending December 31, 1976, at the full rate.
- (3) The tax base is changed from "purchase price" to "gross receipts." An additional tax of 55/100 of 1% is imposed on the "aggregate gross receipts" of each retailer attributable to all goods sold or services rendered within this State. (Under prior law an additional tax of 8/10 of 1% was imposed on the "aggregate purchase price" of such goods).
- (4) The gross receipts tax must be reported and paid monthly (instead of quarterly) on or before the 20th day of each month covering the gross receipts for the preceding month. The first return under the new law will include the gross receipts for the month of April, 1975, and will be due on or before May 20, 1975.



- (5) In computing the taxable gross receipts there is allowed a deduction of \$10,000 for each month (in lieu of the previously allowed deduction of \$20,000 per quarter) from the aggregate gross receipts of the entire business (including all branches or separate locations).

In addition to the foregoing, a transition credit is allowed for previously taxed purchases. Section 2905 (c), as added by H. B. No. 222, provides as follows:

"(c) Every retailer subject to the provisions of subsection (b) of this Section shall be allowed a credit for any license fee due or paid on the aggregate purchase price attributable to all goods purchased prior to April 1, 1975, against any license fee due or payable on the aggregate gross receipts attributable to goods purchased prior to April 1, 1975, and sold by the retailer after the effective date of this Act."

The purpose of the above provision is to eliminate possible double taxation. Goods on hand as of April 1, 1975, which were previously reported as "purchases" and taxed in returns filed for quarters ending on or before March 31, 1975, are eligible for the credit. To the extent tax was paid on goods in inventory as of March 31, 1975, a credit will be allowed against the tax liability reflected under the new law on monthly returns which include gross receipts from the sale of such goods after April 1, 1975.

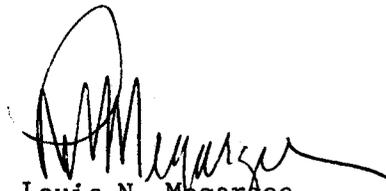
For example, assume that as of April 1, 1975, a retailer has in his inventory goods with a cost value of \$120,000 which amount had previously been included as purchases and tax paid in returns filed for the quarter ending March 31, 1975, or a previous quarter. The tax paid on such "purchases" would have been \$800, i.e. \$120,000 less the \$20,000 exclusion times the old rate of 8/10 of 1%. The retailer will report his gross receipts for the month of April on the return due May 20, 1975, and claim a credit of \$800 against the tax liability for gross receipts reported on such return. If the tax liability reflected on the April return is only \$500, then the unused portion of the credit (\$300) would be carried over and applied against his tax liability for the month of May, and so on until the entire \$800 credit is used.

All retailers that are eligible for the credit must submit with their first return (due May 20, 1975) a statement setting forth the dollar value (based on purchase price) of inventory on hand as of April 1, 1975, to the extent previously reported and taxed. Moreover, every retailer must submit a statement with the return due July 20, 1975, setting forth the total credit claimed, the amount used or claimed on returns for April, May and June and the balance, if any, of the credit unused as of July 1, 1975.

Restaurant Retailers

The license tax applicable to restaurant retailers is increased from 1/10 of 1% to <sup>1005</sup> 1/2 of 1% of aggregate gross receipts attributable to all goods sold in Delaware, effective April 1, 1975. In computing the taxable receipts, a deduction of \$5,000 per month (\$60,000 per year) is allowed (in lieu of the \$50,000 annual deduction under prior law). The tax is now due and payable monthly (instead of quarterly) on or before the 20th day of each month covering receipts for the preceding month. The first return covering the month of April, 1975 will be due on or before May 20, 1975.

New forms for monthly reporting will be issued and distributed by the Division of Revenue about May 10, 1975.



Louis N. Megargee  
Director of Revenue

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