



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

TAX NEWSGRAM 75-10

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Wholesalers and Retailers License Taxes - Chapter 29,
Title 30, Delaware Code.

- Computation of "Gross Receipts"

Questions have been raised concerning the computation of gross receipts for purposes of Chapter 29, 30 Delaware Code, in the following situations:

1. Credit Card Sales

Assume that after April 1, 1975, a Retailer sells merchandise to a customer who pays for same by charging the amount to a credit card (Master Charge, American Express, Bank Americard, etc.). The question arises as to whether the entire purchase price or the discounted value of the amount received from the sale is includible in gross receipts for purposes of Chapter 29.

Section 2901 (b), 30 Delaware Code, defines "gross receipts" as including "total consideration received by a wholesaler or retailer for all goods sold or services rendered within this State."

Section 2120, 30 Delaware Code, provides as follows:

"Computation of Gross Receipts. Wherever the provisions of this Part use the term 'gross receipts' no deduction shall be made therefrom on account of the cost of property sold, the cost of materials used, labor costs, interest discount paid, delivery costs, Federal or State taxes, or any other expense whatsoever paid or accrued, or losses; unless otherwise expressly provided in this Part."

In view of the foregoing statutory provision, it is the position of the Division of Revenue that the gross amount of the sale is includible in "gross receipts" without reduction for discounts paid to Credit Card Companies or Banks for collection services.



The percentage retained by the Bank or Credit Company is considered to be part of the cost or expense of doing business. Of course, amounts representing tips included on credit sales would not be includible in "gross receipts," since such charges do not constitute payment for the product or merchandise sold.

2. Charge Account Sales

Assume that after April 1, 1975, a customer purchases goods from a retailer or wholesaler and charges the amount to his account with the store. The question arises as to when such amounts are includible in gross receipts for purposes of Chapter 29.

It is the position of the Division of Revenue that the time for inclusion in gross receipts depends on the taxpayers method of accounting, i.e., whether he maintains his books, and records for tax purposes on the accrual basis or the cash basis. An accrual basis taxpayer will report the amount in gross receipts for the month in which the sale is made and the account receivable established, whereas a cash basis taxpayer will include the amount in gross receipts in the month payment is received. The gross sale price would be includible in gross receipts, without reduction for any allowable discount. Interest or finance charges for late payment would also be includible in gross receipts.

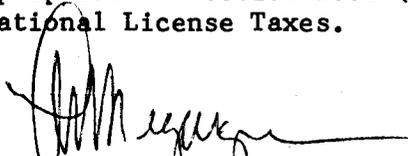
3. Charge Account Sales Prior to April 1, 1975 - (Accounts Receivable)

Assume a retailer sold goods prior to April 1, 1975, and the customer charged it to his store account. On March 31, 1975, the retailer on his books had "account receivable" of \$50,000. The question presented is whether this \$50,000 is includible in "gross receipts" when payment is received after April 1, 1975.

With respect to accounts receivable on books of the accrual basis retailer on March 31, 1975, this is not an issue, see No. 2 above. With respect to accounts receivable on books of the cash basis retailer on March 31, 1975, which represents items sold and delivered to customers prior to April 1, 1975, and taxed as purchases under the old law, it is the position of the Division of Revenue that payment received on such accounts after April 1, 1975, are not includible in "gross receipts" for purposes of Chapter 29. Although the inventory at April for the cash basis taxpayer, should not include these sales made prior to April 1.

4. Application of Chapter 23, Title 30

In general, the above principles are also applicable to the computation of "gross receipts" for purposes of Section 2301 (d), Title 30, Delaware Code, relating to Occupational License Taxes.


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