



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

TAX NEWSGRAM 75-20

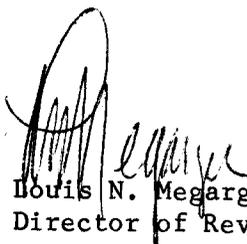
September 10, 1975

- Wholesaler and Retailer License Taxes - Chapter 29,  
Title 30, Delaware Code.

A question has been raised concerning the computation of gross receipts under Chapter 29, relating to the wholesaler and retailer license taxes, as to whether gross receipts may be adjusted (reduced) for bad debts.

As stated in Tax Newsgram 75-10 dated June 5, 1975, interest or finance charges and other expenses of doing business are includible in taxable gross receipts under Chapter 29. However, with respect to bad debts, in the case of a cash basis taxpayer, the amount would not be included in gross receipts since it would never be received. In the case of a taxpayer on the accrual basis who employs the "reserve method" of handling bad debts, it is the position of the Division of Revenue that the taxpayer may adjust his gross receipts in each month by an amount representing 1/12 of the annual bad debt reserve, provided such reserve is established in accord with standards prescribed for Federal tax purposes. If the taxpayer employs the "direct charge-off" method of treating bad debts, then gross receipts may be reduced by the amount actually charged off on the books of the taxpayer each month.

The monthly return must reflect the amount of the bad debt adjustment claimed, if any.

  
Louis N. Megargee  
Director of Revenue

RRS/mrs

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