



STATE OF DELAWARE
DEPARTMENT OF FINANCE
DIVISION OF REVENUE
CARVEL STATE BUILDING
820 N. FRENCH STREET
WILMINGTON, DELAWARE 19801

DIVISION OF REVENUE
TAX RULING 88-1

May 31, 1988

Several requests have been received regarding the taxability of interest on obligations of the District of Columbia.

Such interest is not includible in federal adjusted gross income. I.R.C. of 1986 §103(a) and (c)(2). The interest becomes subject to Delaware tax only if it is subject to being added to federal adjusted gross income as "interest ... on obligations of [a] state or of a subdivision or authority thereof...." 30 Del. C. §1106(a)(1).

The Division has ruled informally in the past that the District of Columbia is not a "state" for purposes of §1106(a)(1). This determination was based on federal law at the time according to which the District of Columbia was not considered a state. I.R.C. of 1954 §103(a)(1).

As a result of the Tax Reform Act of 1986, the District of Columbia is now defined as a state under the appropriate provisions of federal law. I.R.C. §103(b)(2).

This definition is applicable to the Delaware modification found in 30 Del. C. §1106(a)(1). 30 Del. C. §1101.

Accordingly, the District of Columbia is a "state" within the meaning of 30 Del. C. §1106(a)(1), and interest on obligations of the District is subject to the Delaware personal income tax.

This Ruling shall be implemented for audit and enforcement purposes for tax years beginning on or after January 1, 1988.

Robert W. Chastant
Director of Revenue