



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

DIVISION OF REVENUE  
TECHNICAL INFORMATION MEMORANDUM 84-3

October 1, 1984

SUBJECT: Additional Tax Law Changes Enacted by the 1984 General and Special Sessions of the Delaware General Assembly.

PERSONAL INCOME TAX

1. Credit for Expenses Incurred by Active Volunteer Fire Company Members - House Bill No. 20, Chap. 406, Vol. 64, Laws of Delaware, increases from \$50 to \$75 the tax credit allowed by §1113, Title 30 for expenses incurred by voting members of a Delaware Volunteer Fire Company in the performance of their duties as an active volunteer firefighter. Approved and effective July 20, 1984.

2. Deduction for Certain Expenses Incurred in Performing Volunteer Services for Charitable Organizations - House Bill No. 398, Chap. 410, Vol. 64, Laws of Delaware, amends §1109 (a), Title 30, relating to itemized deductions, to allow a deduction for unreimbursed automobile transportation expense incurred while performing volunteer services for a qualified charitable organization. The allowable deduction is equal to the excess, if any, of the State mileage reimbursement allowance over the standard mileage rate allowed as a charitable deduction for federal income tax purposes. This amendment applies to taxable years commencing on or after January 1, 1984.

CORPORATE INCOME TAX

3. Exemption from Corporate Tax Under Section 1902 (b) (8), Title 30, Relating to So-Called Investment Holding Companies - House Bill No. 724, Chapter 461, Vol. 64, Laws of Delaware, amends §1902 (b) (8), Title 30, (relating to the exemption for corporations whose activities within Delaware are confined to the maintenance and management of their intangible investments and the collection and distribution of income derived therefrom) by adding a new sentence defining "intangible investments" to include without limitation "investment in stocks, bonds, notes and other debt obligations (including debt obligations of affiliated corporations), patents,

patent applications, trademarks, trade names and similar types of intangible assets." This amendment, approved and effective August 13, 1984, broadens the scope of the exemption under §1902 (b) (8) to permit unlimited investment in debt obligations and other intangible assets.

4. Information Returns - House Bill No. 724, Chap. 461, Vol. 64 Laws of Delaware, amends §1904, Title 30, to authorize the Department of Finance to require any corporation exempt from tax under §1902 (b) to file information returns setting forth the items of gross income and deductions and such other information as may be prescribed by forms or regulations. This amendment is effective for taxable years commencing after December 31, 1984.

#### OCCUPATIONAL LICENSE TAXES

5. Exemption from License Tax - House Bill No. 724, Chap. 461, Vol. 64, Laws of Delaware, amends §2301 (o), Title 30, relating to exemption of "Holding Companies" from the fees imposed by §2301 (b) and (d), Title 30, by striking the exemption for "holding companies" and substituting in lieu thereof an exemption for "corporations described in §1902 (b) (8)." This amendment is effective August 13, 1984.

#### BUSINESS TAX CREDITS AND DEDUCTIONS

6. Tax Incentives for Creation of Employment or New Business Facilities - House Substitute No. 1 for House Bill No. 698, Chap. 460, Vol. 64, Laws of Delaware, repeals and reenacts Subchapter II, Chapter 20, Title 30, relating to tax credit and license fee reduction for new employees and investment in business facilities, and adds a new subchapter III to Chapter 20, to provide new tax incentives to businesses which expand or locate in selected targeted areas. In addition, the Bill reduces the public utility tax on gas and electricity (imposed by Chap. 55, Title 30) for qualifying businesses and provides for a refund credit of 50% of the public utility tax attributable to the increased energy consumed by such qualifying businesses. Further, the Act establishes an Economic Development Training Board and provides funds for job training and placement activities.

Major tax provisions of the Act are as follows:

A. The current law (Subchapter II, Chap. 20, Title 30) governing corporation income tax credits and reduction in gross receipts tax for creation of employment or new business facilities, which would have expired July 1, 1984, is extended to December 31, 1984.

B. The newly revised Subchapter II, Chap. 20, Title 30, governing credits against corporate income tax and reduction in gross receipts tax for creation of employment and investment in business facilities becomes effective January 1, 1985, and applies with respect to property placed in service

after December 31, 1984, and before January 1, 1990. It requires that a qualifying business invest at least \$200,000 and employ at least 5 new, full-time employees to be eligible for the tax benefits. The corporation income tax credit is increased to \$250 (formerly \$75) for each qualified new employee, and \$250 (formerly \$185) for each \$100,000 (or major fraction) of qualified investment. The credit is allowed for the years in which the qualified facility is placed in service and for each of the 9 following years, in which the facility continues to be qualified. The allowable credit is limited to 50% of its Delaware corporation income tax liability for the year, although any unused credit may be carried forward to any of the succeeding taxable years that fall within the 10 year life of the credit.

If a corporation meets the requirements of the law, in addition to the corporation income tax credit, it will also be allowed a reduction in gross receipts tax for the current year and 9 succeeding years on a sliding scale from 90% to 5% as provided under existing law.

(C) The new Subchapter III, Chapter 20, Title 30, provides new tax incentives to businesses which expand or locate in "targeted areas" defined to include (i) real property owned by the State or political subdivisions, (ii) real property owned by a non-profit organization held for economic development, (iii) an area designated as a foreign trade zone, and (iv) 30 low income areas of the state as specified in the 1980 Census. The Bill doubles the \$250 corporation income tax credit provided under Subchapter II for qualified businesses that erect or expand a qualified facility within any targeted area. In addition, the Bill allows the basic credit (\$250 per employee and \$250 per \$100,000 of investment) to selected commercial or retail activities that establish a qualified facility in any targeted census area. A qualified business that establishes a qualified facility in any targeted area is exempted from payment of gross receipts tax for the first 5 years, and then will be allowed the sliding scale reductions in gross receipts tax for the succeeding 10 years.

(D) The Act amends Chapter 55, Title 30, relating to public utility taxes, to provide for a reduction from 5% to 4.5% in the rate of the public utility tax attributable to gas and electricity consumed by qualified industrial gas and electricity users. The Act also allows a business that qualifies for the corporation income tax credit to also claim a refund for a portion of the public utility tax attributable to the increased gas and electricity consumed by the new or expanded business. This refund is allowable for the taxable year in which the qualified facility is placed in service and for any of the 4 following taxable years in which the new or expanded business continues to meet the definition of a qualified facility. Further, a qualifying new or expanded business will have to pay only 50% of the public

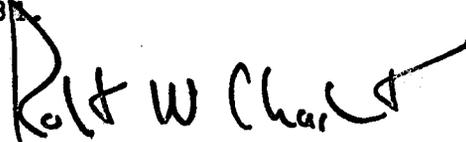
utility tax which is attributable to its increased gas and electricity consumption caused by the new business investment.

#### REFUND CHECK-OFFS

7. Olympics Fund Check-Off - House Bill No. 624, Chap. 422, Vol. 64, Laws of Delaware, establishes a special U.S. Olympics Account within the Division of the Treasury and provides that an individual may designate \$1 or more of any tax refund due on his tax return or added to his tax liability as a contribution to the U.S. Olympic Committee. The designated amounts, as determined by the Division of Revenue, shall be reported to the State Treasurer for transfer to the special U.S. Olympic's Account. Approved July 20, 1984 and effective for taxable years beginning January 1, 1984.

8. Emergency Shelter Fund Check-Off - House Bill No. 648, Chap. 425, Vol. 64, Laws of Del., establishes an Emergency Housing Fund Administration Board within the Dept. of Community Affairs, and the Emergency Housing Assistance Fund in the Division of the Treasury. The law provides that an individual may designate \$1 or more of any tax refund due on his return, or added to his tax liability, as a contribution to the Delaware Emergency Housing Fund. The designated amounts, as determined by the Division of Revenue, shall be reported to the State Treasurer for transfer to the Delaware Emergency Housing Assistance Fund. Approved July 20, 1984, and effective for taxable years beginning January 1, 1984.

9. Childrens Trust Fund Check-Off - Senate Bill No. 449, Chap. 431, Vol. 64, Laws of Delaware, establishes a Delaware Childrens Trust Fund Board of Directors, a private non-profit organization, and a Childrens Trust Fund to be administered by the Board. The law provides that an individual who files a state income tax return and is entitled to a refund may designate all or any portion of the refund as a contribution to the Childrens Trust Fund. The designated amounts, as determined by the Division of Revenue, shall be reported and transmitted directly to the Administrator of the Trust Fund for deposit in the Delaware Childrens Trust Fund. The effective date of the Act is October 1, 1984, and it applies to contributions after December 31, 1984.



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Robert W. Chastant  
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