



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

DIVISION OF REVENUE

TECHNICAL INFORMATION MEMORANDUM 91-3

October 28, 1991

SUBJECT: DELAWARE CORPORATION INCOME  
ADD-BACK OF INCOME TAX PAID TO STATES

CODE SECTION AFFECTED: 30 Del.C. §1903(a)

CONTACT WITHIN THE DIVISION: CORPORATE AUDIT BUREAU  
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House Bill 349, 68 Delaware Laws ch. 82, amends 30 Del.C. §1903(a) for tax years ending after July 1, 1991. The amendment requires an add-back to corporate income in the amount of any deduction allowed pursuant to §164 of the Internal Revenue Code [26 U.S.C. §164] for taxes paid on or according to or measured by net income or profits, to any state, territory, county, or political subdivision thereof, or any tax paid either in lieu of or in the nature of such income tax.

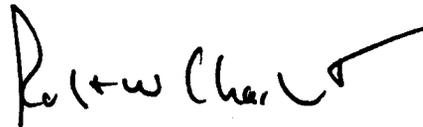
The calculation of the Delaware taxable income of a corporation commences with its federal taxable income. The calculation of the federal taxable income allows a deduction under Internal Revenue Code §164 for taxes paid by the corporation to any state. Prior to enactment of the amendment, in calculating Delaware taxable income, a corporation doing business in other states received an indirect deduction through the federal deduction for taxes paid to those other states.

House Bill 349 eliminates the indirect deduction by requiring all corporations to add back to their federal taxable income the amount of any deduction allowed for taxes paid to any State. The add-back will occur on line 4(a) of the Delaware Corporate Income Tax Return, Form 1100 or 1100S.

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Pursuant to Internal Revenue Code Section 164, cash basis corporations will recognize the add-back in the tax year the taxes are paid. Accrual basis corporations will recognize the add-back in the tax year in which the income was earned and the tax liability accrued.

Any refund of state taxes paid as defined above will be offset (credited) against the appropriate account for taxes paid or accrued in the year the refund was received or accrued. Thus, a net amount is reported on line 4(a) of the Delaware return. Similarly, the add-back amount reported on a prior year Delaware corporate income tax return will not be disturbed, i.e., the income for that tax year will not be recomputed to account for the refund of taxes paid for that tax year.



Robert W. Chastant  
Director of Revenue