



STATE OF DELAWARE
DEPARTMENT OF FINANCE
DIVISION OF REVENUE
CARVEL STATE BUILDING
820 N. FRENCH STREET
P.O. BOX 8911
WILMINGTON, DELAWARE 19899-8911

DIVISION OF REVENUE

August 22, 1996

TECHNICAL INFORMATION MEMORANDUM 96-4

SUBJECT: WITHHOLDING TAX CHANGES

**CONTACT: JOHN J MACIEJESKI, JR.
(302) 577-5800 EXT. 7535**

This Technical Information Memorandum is intended to explain the significant changes to the filing requirements for withholding agents and to publish the rate reductions for personal income tax.

WITHHOLDING LOOKBACK PERIOD

Senate Substitute #1 for Senate Bill 281, effective January 1, 1997, amends the filing requirements for persons withholding Delaware personal income tax from the payment of wages or other remuneration subject to tax in this State. Under current law, an employer can file quarterly, monthly or eighth-monthly depending on the amount withheld which may vary substantially between periods. The new statute provides for a "lookback period" to determine the filing method for the next calendar year. The lookback period is a twelve month period between July 1 and June 30 immediately preceding the calendar year for which the lookback period is determined. Thus the lookback period for calendar year 1997 withholding will be the period July 1, 1995 through June 30, 1996. The Division of Revenue will determine the amount of tax reported during the lookback period and advise all withholding agents of their new withholding method. Many withholding agents remitting taxes on a monthly basis will become quarterly filers. This new filing method will be in effect for calendar year 1997 withholding.

FILING METHODS

AMOUNT OF WITHHOLDING DURING "LOOKBACK"

QUARTERLY

\$3,600 OR LESS

MONTHLY

\$3,600.01 AND LESS THAN \$20,000

EIGHTH MONTHLY

\$20,000.01 and GREATER

MANDATORY ELECTRONIC FUNDS TRANSFER

Any employer required under the provisions of §6302 of the Internal Revenue Code to deposit federal employment taxes by electronic funds transfer will be required to deposit Delaware withholding taxes by electronic funds transfer. The effective date for this new requirement is one year after the employer is required to deposit the federal funds electronically. For example, an employer who is required to deposit federal employment taxes electronically on January 1, 1996 will be required to deposit Delaware withholding taxes by electronic funds transfer on January 1, 1997. In general, any employer who was required to pay federal employment taxes in excess of \$47 million for either 1993 or 1994 would be required to file and pay Delaware withholding electronically. Employers wishing to make arrangements to file and pay electronically should telephone the Division of Revenue at (302) 577-5800, extension 7501.

PERSONAL INCOME TAX RATE REDUCTIONS

House Bill 713 and Senate Bill 482 reduced the personal income tax rates effective January 1, 1997.

Taxable Income Between	Pay	Plus	On Amounts Over
\$ 0 - \$ 2,000	\$ 0.00	0.00%	0
\$ 2,000 - \$ 5,000	\$ 0.00	3.10%	\$ 2,000
\$ 5,000 - \$10,000	\$ 93.00	4.85%	\$ 5,000
\$ 10,000 - \$20,000	\$ 335.50	5.80%	\$ 10,000
\$ 20,000 - \$25,000	\$ 915.50	6.15%	\$ 20,000
\$ 25,000 - \$30,000	\$ 1,223.00	6.45%	\$ 25,000
\$ 30,000 & over	\$ 1,545.50	6.90%	\$ 30,000

New Withholding Regulations including the revised withholding tables will be updated and mailed to all withholding agents.


William M. Remington
Director of Revenue