



## ANNUAL THRESHOLD UPDATE

State of Delaware  
Department of Finance  
Division of Revenue  
revenue.delaware.gov

### DELAWARE COMPETES ACT EASES THE BURDEN FOR SMALL BUSINESSES

**October, 2016** - The Delaware Competes Act, which was signed into law earlier this year, devotes much of its focus to small businesses. Previously, Delaware's tax code contained numerous dollar thresholds that were intended to recognize small businesses' unique challenges by simplifying compliance and/or reducing filing frequencies. Because no updates had occurred since they were established 15, 20, or even 25 years ago, time and inflation had eroded these thresholds' ability to effectively attend to the needs of small businesses.

The Delaware Competes Act tackled this problem head on. By updating thresholds throughout Delaware's tax code, the Act:

- Reduces administrative and compliance costs for small businesses and the Division of Revenue alike;
- Increases the tax code's predictability and fairness for small businesses;
- Cuts filing frequencies for roughly:
  - 1,000 small business gross receipts taxpayers
  - 2,000 small business withholding filers

As part of its annual notification process, the Division of Revenue will notify businesses and employers regarding their filing responsibilities for the upcoming year. The Delaware Competes Act also mandates that thresholds are subject to an annual inflation adjustment. As a consequence, the thresholds' future effectiveness will not erode over time, and small businesses will continue to reap the Delaware Competes Act's benefits for years to come.

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## Annual Threshold Updates as Required by the Delaware Competes Act

(80 Del. Laws c 195)

### USE OF CERTIFIED MAIL

Updated Title 30 Section	Description	Old Threshold	New Threshold
521(c)	Amount over which a notice of proposed assessment must be sent via certified mail.	\$500	\$1,000
<b>552(b)</b>	<b>Amount over which bills must be sent via certified mail.</b>	<b>\$500</b>	<b>\$1,000</b>

### WITHHOLDING FILING THRESHOLDS

Updated Title 30 Section	Description	Old Threshold	New Threshold
1154(a)	Amount of withholding in annual lookback period under which quarterly filings are specified.	\$3,600	\$4,500
<b>1154(a)</b>	<b>Amount of withholding in annual lookback period between which monthly filings are specified.</b>	<b>\$3,600 &amp; \$20,000</b>	<b>\$4,500 &amp; \$25,000</b>
1154(a)	Amount of withholding in annual lookback period over which 8th-monthly filings are specified.	\$20,000	\$25,000

### CORPORATE INCOME TAX

Updated Title 30 Section	Description	Old Threshold	New Threshold
1905(5)	Level of aggregate gross receipts under which a corporation may make four tentative payments in equal installments of 25%	NA	\$20,000,000 in total receipts for any 2 of the 3 taxable years immediately preceding
<b>535(c)(5)</b>	<b>Level under which Safe Harbor for underpayment of tax applies</b>	<b>\$200,000 in taxable income for any year in prior 3 immediately preceding</b>	<b>\$20,000,000 in total receipts for any 2 of the 3 taxable years immediately preceding</b>
2070(a)(2)	Level under which enhanced R&D credit for small businesses applies	Average annual gross receipts, per § 41(c)(1)(B) of the IRC, not in excess of \$20,000,000	Average annual gross receipts, per § 41(c)(1)(B) of the IRC, not in excess of \$20,000,000

## Annual Threshold Updates as Required by the Delaware Competes Act

(80 Del. Laws c 195)

### GROSS RECEIPT TAX FILING THRESHOLDS

Updated Title 30 Section	Level of taxable gross receipts in lookback period delineating quarterly from monthly filers for:	Old Threshold	New Threshold
2301(d)(2)	Professionals / Services	\$750,000	\$1,500,000
<b>2502(c)(2)</b>	<b>Contractors</b>	<b>\$750,000</b>	<b>\$1,500,000</b>
2702(b)(3)	Manufacturer	\$300,000	\$1,500,000
<b>2703(c)(2)</b>	<b>Automobile Manufacturer</b>	<b>\$300,000</b>	<b>\$1,500,000</b>
2902(c)(2)	Wholesaler	\$750,000	\$1,500,000
<b>2903(c)(2)</b>	<b>Food Processor</b>	<b>\$1,500,000</b>	<b>\$1,500,000</b>
2904(c)(2)	Commercial Feed Dealer	\$3,000,000	\$3,000,000
<b>2905(b)(2)</b>	<b>Retailer</b>	<b>\$500,000</b>	<b>\$1,500,000</b>
2609(c)(2)	Restaurant Retailer	\$500,000	\$1,500,000
<b>2907(c)(2)</b>	<b>Farm Machinery Dealers</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>
2908(c)(2)	Grocery Supermarket Retailers	\$750,000	\$1,500,000