

STATE OF DELAWARE

2004 Corporate Income Tax 2004

Instructions and Returns



INSTRUCTION HIGHLIGHTS

CALENDAR YEAR 2004 AND FISCAL YEAR ENDING 2005 TAX YEAR

Contained within this booklet you will find Form 1100EZ, in addition to Form 1100. Please see page 2 of this instruction booklet for the eligibility requirements for use of Form 1100EZ.

Title 30 of the Delaware Code authorizes seven different credits to be applied against Delaware corporate income tax. The corporate income tax credits that are available are the Economic Development, Green Industries, Research & Development, Land & Historic Resource Conservation, Travelink Traffic Mitigation, Neighborhood Assistance and Historic Property Preservation tax credits. Please see page 6 of this instruction booklet for details concerning the corporate income tax credits.

House Bill 403 of the 142nd General Assembly creates a new Chapter 64 of Title 30 of the Delaware Code. This new chapter relates to the formation, powers and taxation of a new corporate entity known as a Delaware Headquarters Management Corporation (HMC). The HMC will be exempt from taxation under Chapter 19 of Title 30 of the Delaware Code but will be subject to an alternative tax calculation under the new Chapter 64. The purpose of this legislation and the creation of the HMC is to allow for the opportunity to attract investment management activities and headquarter support operations to the State of Delaware to create new employment within the State. Any corporation may elect to be classified as an HMC if the corporation limits its activities in Delaware to investment activities and/or providing headquarters management services to itself and to members of its affiliated group. The election to become an HMC may be made anytime before the last day of the end of the first taxable year commencing after December 31, 2003. Form 6401-HMC, APPLICATION AND ELECTION FOR A HEADQUARTERS MANAGEMENT CORPORATION STATE OF DELAWARE BUSINESS LICENSE must be completed and submitted to the Director of Revenue with the \$5,000 license fee on or before the last day for making an election to become an HMC. Additional information regarding the creation and taxation of an HMC can be obtained by reading Delaware Technical Information Memorandum 2004-3.

Any provisions of the Jumpstart Our Business Strength (JOBS) Act of 2004, H.R. 4520, which affect the Delaware taxable income of a corporation have been automatically adopted by the Delaware Division of Revenue.

Corporations who are incorporated in Delaware and whose activities are limited to maintaining a statutory corporate office and not conducting business within Delaware are exempt from filing the Delaware corporate income tax return under Section 1902(b)(6) of Title 30 of the Delaware Code.

While a corporation may be exempt from filing an income tax return under Section 1902(b)(6), an annual Franchise Tax is imposed upon all corporations for the privilege of being incorporated in Delaware unless specifically exempted by law. The Franchise Tax is administered by the Secretary of State. Companies may incorporate under the General Corporate Law of Delaware by filing the proper documents with the Secretary of State, Division of Corporations, P.O. Box 898, Dover, Delaware 19903. General information can be obtained by calling (302) 739-3073, or by visiting their website www.state.de.us/corp.

Step by step instructions for completing the Delaware corporate income tax return are provided in this booklet. The Division of Revenue is committed to provide quality services to all businesses. To assist, the Division's Office of Business Taxes has created a Home Page within the website of the Delaware Division of Revenue. The internet address is www.state.de.us/revenue/default.shtml. Select *Business Taxpayers* from the *Services* column. This site contains information for registering your business, Tax Tips to guide you in filing various business tax returns and the ability to electronically contact a representative of the Office of Business Taxes with your tax questions.

LOCATION OF OFFICES

TOLL-FREE TELEPHONE NUMBER (DELAWARE ONLY) 1 - 800 - 292 - 7826

WILMINGTON

Division of Revenue
State Office Building
820 N. French Street
Wilmington, Delaware 19801

Telephone: (302) 577 - 8205

Fax: (302) 577 - 8662

DOVER

Division of Revenue
Thomas Collins Building, Suite 2
540 S. DuPont Highway
Dover, Delaware 19901

Telephone: (302) 744 - 1085

Fax: (302) 744 - 1095

GEORGETOWN

Division of Revenue
422 N. DuPont Highway, Suite 2
Georgetown, Delaware 19947

Telephone: (302) 856 - 5358

Fax: (302) 856 - 5697

CORPORATION INCOME TAX RETURN INSTRUCTIONS

GENERAL INSTRUCTIONS

FORM SELECTION

Contained within this booklet you will find Form 1100EZ, in addition to Form 1100. The specific instructions for Form 1100EZ are printed on the back of the form. Form 1100EZ has been created to simplify the filing of the Delaware corporate income tax return for eligible taxpayers. File Form 1100EZ only if:

1. Federal taxable income (Line 30, Federal Form 1120) is less than \$10,000,000,
2. The addback of Delaware corporate income taxes deducted in computing Federal taxable income is the only modification to Federal taxable income and
3. All property owned and rented is located in Delaware, all wages and salaries are paid to employees working in Delaware and goods sold or services rendered are delivered or performed in Delaware.

The corporation must file Form 1100 if it does not meet all three eligibility requirements.

CORPORATIONS REQUIRED TO FILE RETURNS

Every domestic and foreign corporation doing business in Delaware, not specifically exempt under the provisions of Section 1902(b), Title 30, Delaware Code, is required to file a corporation income tax return regardless of the amount, if any, of its gross income or its taxable income.

Corporations whose activities in Delaware are limited to the maintenance and management of their intangible investments may be exempt under Section 1902(b)(8). Corporations may obtain a specific ruling from the Division of Revenue by submitting an Application of Exemption, Form 1902AP, describing their operations and stating the grounds for the exemption under Section 1902(b)(8).

Section 1904(f), Delaware Code, requires that corporations exempt under Section 1902(b)(8) file an Annual Information Return [Division of Revenue Form 1902(b)] reporting sources of income and services provided within and without Delaware.

Consolidated corporate income tax returns are not permitted under Delaware Law. Each corporation which is a member of a consolidated group must file a separate return reporting income and deductions as if a separate Federal income tax return was filed.

The State of Delaware has not adopted by statute or by regulation, the provisions of the Uniform Division of Income Tax Purposes Act nor is the State a member of the Multistate Tax Commission. The State of Delaware does not recognize or approve using Combined Reporting, Unitary or Waters Edge methods of filing a Delaware corporate income tax return.

The State of Delaware has issued regulations (Technical Information Memorandum 98-1) regarding the Federal "check the box" classification of Limited Liability Companies (LLC's), where such LLC's conduct business within Delaware.

An LLC, which makes an election to be treated as a corporation and has a single or multiple members, will file a Delaware corporate income tax return. The corporate attributes of the LLC do not flow through to the individual member(s). Delaware recognizes the existence of the LLC as a separate legal entity which does not create nexus for the individual LLC member(s) when the LLC has elected to be taxed as a corporation.

An LLC, which does not make a Federal election to be treated as a corporation and has a single corporate member, will not be recognized as a corporation for Delaware income tax purposes. The LLC will be considered a division of the single corporate member. The single corporate member will be required to file a Delaware corporate income tax return. The corporate apportionment percentage will reflect the operation of the entire corporation and the property, wage and sales factors of the LLC will be included with the factors of the corporate single member.

PERIOD COVERED BY RETURN

The income tax year of a corporation is the same as the taxable year for which the corporation reports for purposes of the Federal income tax. Accordingly, this return is to be filed for the calendar year 2004 or fiscal year beginning in 2004 and ending in 2005.

Short period returns are required when there is a change of the annual accounting period or where the taxpayer is not in existence for the entire year. Short period returns are also required when there is a change of ownership as in the case of a subsidiary required to file a consolidated Federal income tax return with its parent. Chapter 19 (Corporation Income Tax) of Title 30 of the Delaware Code does not contain a specific provision for the filing of a short period corporate final income tax return. Section 1901(7) provides that the "income year" of a corporate taxpayer shall be the taxable year for which a taxpayer computes its net income for purposes of the Federal income tax. Section 1903 provides that the entire net income of a corporation is the amount of its Federal taxable income with specific modifications. As a result, if a short period Federal return is due, a short period Delaware return is also due for the same tax period. Short period

returns resulting from acquisitions or mergers are due on the first day of the fourth month after the end of the taxable preacquisition and postacquisition periods.

WHEN TO FILE AND EXTENSIONS

File Form 1100 or 1100EZ on or before the first day of the fourth month following the close of the taxable year. A request for an automatic extension of six months to the Internal Revenue Service will automatically extend by six months the filing date for the Delaware return. If an automatic Federal extension has been granted, a copy of the extension must be attached to the final return when filed.

An extension of time with payment for filing the Delaware corporate income tax return is made by filing Form 1100 T-EXT contained in the Delaware Corporate Tentative Tax coupon book on or before the due date of the original return. Please note that a timely filed extension extends the period for filing a final return but does not extend the period of time for making payment. **Payment of the anticipated liability must be made with the extension request, 1100 T-EXT coupon.** Section 511 of Title 30 of the Delaware Code provides that the Director may grant an extension of time for filing any return and may require a bond not exceeding twice the amount of the tax.

An extension beyond the automatic six month period must be requested by letter on or before the extended due date of the return. A copy of the Division of Revenue Approval Letter must be attached to the final return when filed.

PENALTIES AND INTEREST

Returns filed late are subject to a penalty of 5% per month, up to a maximum of 50% of the tax liability due, plus interest of 1% per month from the original due date until paid. In addition to the above penalties and interest, an additional penalty of 1/2% per month (not to exceed 25%) is imposed for failure to pay (in whole or in part) the tax liability shown to be due on a timely filed return.

TENTATIVE TAX FILING REQUIREMENTS

Every corporation is required to declare the amount of its estimated tax liability and prepay the amount of its estimated tax liability in four installments. The declaration and remittance, equal to **50%** of the corporation's estimated tax liability, are due on or before the first day of the fourth month of the taxable year. The **declaration** (Form T-1) is due even if the estimated tax liability is zero and no remittance is required. The remaining coupons -- T-2, T-3 and T-4 -- are not required to be filed if the estimated tax liability is zero for the remainder of the taxable year. If the estimated tax liability is greater than zero during any of the remaining three quarters of the taxable year, quarterly tentative tax payments are due according to the following schedule: **20%** on the 15th day of the 6th month of the taxable year; **20%** on the 15th day of the 9th month of the taxable year and **10%** on the 15th day of the 12th month of the taxable year. House Bill No. 257, signed July 23, 1997, eliminates the requirement for the corporation to file and remit tentative tax when the corporation's taxable period is less than 92 calendar days.

Declarations of tentative tax and payments must be made by filing Form 1100-T, Tentative Tax Return. Failure to make a declaration or file and pay the required tentative tax payments will result in a penalty. A penalty of 1.5% per month is imposed on any underpayment or late payment of tentative taxes from the due date of the tentative payment to the date the tax was paid. The penalty will not be imposed if total tentative taxes timely paid equal or exceed 80% of the current year's tax liability or equal or exceed 100% of the tax liability of the first preceding taxable year.

Corporations whose Delaware taxable income was \$200,000 or more in any of the last three preceding taxable years must make estimated payments equal to **80%** of the current year's tax liability.

A program has been established enabling a corporation to remit tentative tax payments electronically. This program is made available to all corporations on a voluntary basis. The Electronic Funds Transfer options available to you include:

1. **ACH Debit Option:** The corporation initiates a transaction by contacting the State of Delaware's Data Collector at least one business day prior to the due date of the payment. This call authorizes the State of Delaware to electronically transfer tax payments from the corporation's depository to the State's depository.

2. **ACH Credit Option:** The corporation initiates an ACH transaction through their depository. This ACH transaction will be in the Cash Concentration and Disbursement Plus (CCD+) format and must be initiated at least one day prior to the due date of the payment.

To participate in the EFT program, you must complete the **State of Delaware Electronic Funds Transfer Program, ACH Authorization**

Form. This form and its instructions are available by contacting the Division of Revenue, Electronic Funds Coordinator, Carvel State Office Building, P.O. Box 8911, Wilmington, DE 19899-8911, (302) 577-8231.

EXEMPT CORPORATIONS

The following corporations are exempt from filing a Delaware corporate income tax return:

1. Fraternal beneficiary societies,
2. Cemetery corporations and corporations created for religious, charitable, scientific or educational purposes,
3. Business and civic leagues, chambers of commerce, fire companies, merchants associations or boards of trade not organized for profit.
4. Clubs organized and operated exclusively for pleasure and recreation,
5. Corporations maintaining a statutory corporate office in Delaware but not doing business within Delaware,
6. Insurance companies paying taxes upon gross premiums to the Insurance Commissioner,
7. Corporations whose activities within Delaware are confined to the maintenance and management of their intangible investments and the collection and distribution of the income from such investments or from tangible property physically located outside of Delaware,
8. S Corporations for taxable years beginning on or after January 1, 1992,
9. Corporations which qualify as a Foreign Sales Corporation under subchapter N of Chapter 1 of the Internal Revenue Code,
10. Foreign Sales Service Corporations (FSSC) deriving 80% or more of its gross receipts from services performed for a Foreign Sales Corporation and meeting the qualifications of Section 1902(b)(12), subparagraphs (a) through (c) of Title 30, Delaware Code,
11. Export trading companies defined in Section 7401 of Title 6, Delaware Code,
12. Real Estate Mortgage Investment Conduit as defined in Section 860D of the Internal Revenue Code of 1986,
13. Corporations registered as an investment company under the Investment Company Act of 1940,

14. Corporations that are a real estate investment trust as defined in Section 856 of the Internal Revenue Code of 1986 and
15. An entity that is a homeowners association as defined in Section 528 of the Internal Revenue Code or successor provision.

NOTICE OF FEDERAL TAX ADJUSTMENT

If a taxpayer files an amended Federal income tax return, the corporation is required within 90 days to file an amended State of Delaware corporation income tax return, Form 1100X, together with a copy of the amended Federal return. If the net income reported by the taxpayer to the Internal Revenue Service for Federal income tax purposes is changed or corrected by the Internal Revenue Service, or the tax computed on the return is redetermined by the Internal Revenue Service, notice of such changes, corrections or adjustments must be reported to the Division of Revenue within 90 days after the final determination by the Internal Revenue Service is made. Form 1100X is available from the Division of Revenue.

ATTACH COPY OF FEDERAL RETURN

You must attach a copy of your Federal return for the income year, including all schedules and exhibits, when filing your Delaware return. If the corporation is a member of an affiliated group for Federal income tax purposes, the corporation must furnish a spread sheet of all items of income and deduction reconciling the separate items of each member corporation to the consolidated totals.

MAGNETIC REPORTING OF FORM 1099 INFORMATION

Any corporation required to report Form 1099-MISC or 1099-R information to the Internal Revenue Service on magnetic media must also report to the Delaware Division of Revenue on magnetic media. The duty to report 1099-MISC information to the Division of Revenue applies in the case of Forms 1099-MISC issued to persons resident in Delaware or to non-residents of Delaware for work performed within Delaware. Forms 1099-R are required to be reported to Delaware in the case of any person issued a Form 1099-R on which Delaware taxes are reported as withheld. Even though Delaware participates in the Combined Federal/State Filing Program, the 1099-MISC and 1099-R forms are required to be filed directly with Delaware. All others, including 1099-DIV and 1099-INT need not be filed.

SPECIFIC INSTRUCTIONS FOR FORM 1100 IMPORTANT

To ensure the timely and proper processing of your corporate income tax return, ALL lines and schedules must be completed. Specific line items, supported by separate attached schedules, must be entered on the appropriate line of this return. Failure to complete all lines and schedules will delay the processing of your return.

CALENDAR OR FISCAL YEAR OPERATION

This 2004 Form 1100 is used to report your Delaware corporate income tax for calendar year 2004 or fiscal year beginning in 2004 and ending in 2005. If the corporation conducts business on a fiscal year basis, insert the beginning and ending dates of the fiscal year in a MM/DD/YYYY format.

EMPLOYER IDENTIFICATION NUMBER, NAME AND ADDRESS

Enter the employer identification number, complete name, corporate headquarters address and Delaware address (if different from the corporate headquarters address) of the corporation. **Employer identification numbers are issued by the Internal Revenue Service by filing Federal Form SS-4.**

DATE AND STATE OF INCORPORATION AND NATURE OF BUSINESS

Enter the date in MM/YYYY format and the state in which the corporation is incorporated. Enter a short phrase to describe the nature of business conducted by the corporation.

CHECK THE APPLICABLE BOX

Check the **Initial Return** box if this is the first time the corporation is filing a Delaware corporate income tax return. Check the **Change Of Address** box if the address of the corporation has changed from the previous year's filing. Check the **Extension Attached** box if the corporation has obtained an approved Federal or Delaware extension of time to file a Delaware corporate income tax return.

OUT OF BUSINESS

Enter the exact date in MM/DD/YYYY format when the corporation ceased business operations. Only enter a date if the corporation went out of business during, or on the last day of the corporation's tax year ending.

SCHEDULE 1 - INTEREST INCOME

Enter in Schedule 1, Column 1, the total amount of interest income received from a foreign source to the extent that a foreign tax was actually paid or accrued on the foreign interest income. Also, include this amount on Form 1100, Page 1, Line 2(a). Interest income received from a foreign

source on which a foreign tax was not actually paid is classified as "Other Interest Income" and included in Schedule 1, Column 5.

Enter in Schedule 1, Column 2, the total amount of interest income received from bonds or securities of the United States or U. S. Instrumentalities, less applicable expenses. Also, enter this amount on Form 1100, Page 1, Line 2(b). Interest received on obligations for which the United States is not the primary obligor or which are not guaranteed by the full faith and credit of the United States are not exempt from tax.

Enter in Schedule 1, Column 3, the total amount of interest income (include discount) received on intercorporate obligations representing advances, loans or similar contractual transactions that meet the following requirements: (1) The debtor and creditor corporations are subject to taxation under Delaware Law, and (2) The debtor corporation does not claim a deduction for such interest payments in determining its entire net income for Delaware corporation income tax purposes. Also, enter this amount on Form 1100, Page 1, Line 2(c).

Enter in Schedule 1, Column 4, the total amount of interest income received from obligations issued by any State or political subdivisions, other than the State of Delaware or its political subdivisions. Also, include this amount on Form 1100, Page 1, Line 4(c) and Form 1100, Page 2, Schedule 2, Column 3, Line 5. The interest must be allocated to the state where the transaction took place that resulted in creation of the obligation.

Enter in Schedule 1, Column 5, the total amount of all other interest income received and not included in any other column of Schedule 1. Also, include this amount on Form 1100, Page 2, Schedule 2, Column 3, Line 5. The interest must be allocated to the state where the transaction took place that resulted in creation of the obligation.

LINE 1 - FEDERAL TAXABLE INCOME

Enter on Line 1 the amount of your Federal taxable income. The State of Delaware does not recognize an affiliated group of corporations as a taxable entity. Consolidated and combined returns are not permitted. The starting point for Delaware corporate income taxes is Federal taxable income of the separate corporation, as if each corporation had filed a separate Federal corporate income tax return.

LINE 2 - SUBTRACTIONS FROM FEDERAL TAXABLE INCOME

Enter on Line 2 (a) the amount of dividends received from foreign sources to the extent that a foreign tax was actually paid or accrued or the dividends were included in the dividend gross-up for Federal income tax purposes. Dividends not eligible for the deduction on Line 2(a) are to be apportioned to the state of corporate domicile. Also enter on Line 2(a) the amount of interest (from Schedule 1, Column 1) and royalties received from foreign sources to the extent that a foreign tax was actually paid or accrued. Interest and royalty income received from a foreign source on which a foreign tax was not actually paid are required to be allocated within or without Delaware in Schedule 2 of the Delaware corporate income tax return. Please see Line 6 for specific allocation rules.

Federal Form 1118 must be attached to substantiate the deduction claimed on Line 2(a). Dividends from Domestic International Sales Corporations, foreign capital gains, rents and miscellaneous income are not considered exempt income for purposes of this exclusion. These items of income are subject to the rules of allocation or apportionment. Please refer to the specific instructions for apportionable and non-apportionable income.

Enter on Line 2(b) (from Schedule 1, Column 2) the amount of interest income received from bonds or securities of the United States or U.S. Instrumentalities, less applicable expenses.

Enter on Line 2(c) (from Schedule 1, Column 3) the amount of interest income (including discount) received on intercorporate obligations representing advances, loans or similar contractual transactions that meet the following requirements: (1) The debtor and creditor corporations are subject to taxation under Delaware Law, and (2) The debtor corporation does not claim a deduction for such interest payments in determining its entire net income for Delaware corporation income tax purposes.

Enter on Line 2(d) the gain received from the sale or other disposition of bonds or securities issued by the United States or its instrumentalities or by the State of Delaware or its political subdivisions.

Enter on Line 2(e) an amount equal to the portion of wages paid or incurred for the taxable year which is disallowed as a deduction for Federal purposes under Subsection (a) of Section 280 C, IRC, relating to the portion of wages for which the jobs tax credit is claimed. Attach copy of Federal Form 5884 - Jobs Credit.

Enter on Line 2(f) the cost incurred (not to exceed \$5,000) of a renovation project to remove physical design features in a building that restricts the full use of the building by physically handicapped persons. The term "building" means a building or structure, or a portion thereof, located in Delaware and open to the general public, and includes sidewalks, curbing, driveways, and entrances connected with or related to the use of the building structure. Expenditures incurred to remove architectural barriers or physical design features for the purpose of making the building more accessible to, or usable by, handicapped individuals will generally qualify for the deduction, subject to the \$5,000 limitation.

Under this provision, qualified renovation expenses incurred after December 31, 1978 are deductible in the taxable year in which the project is completed. Attach a statement to your return describing the project, the date of commencement, location, date of completion, and costs incurred.

Enter on Line 2(g) the amount of any allowable net operating loss carryovers for State of Delaware purposes (See "NET OPERATING LOSS DEDUCTION", PAGE SEVEN). **Do not make an entry on Line 2(g) unless your carryback loss was limited under Delaware Law and you are carrying forward an amount which differs from your Federal net operating loss carryforward.**

Enter on Line 2(h) the amount of non-business income or loss. The corporation may exclude, under limited circumstances, "non-business" income (net of related expenses) earned in the course of non-business activities unrelated to those carried out in Delaware.

An entry on this line must be supported by Form 1100NBI (available by contacting the Division of Revenue) identifying, by description and amount, each item of non-business income and demonstrating that: (1) Delaware is not the state of commercial domicile of the corporation. Commercial domicile is the principal place from which the trade or business of the corporation is directed or managed. (2) There is lack of a unitary relationship between the corporation and the payer of the income. If the payer and the corporation are at all functionally integrated, if they have any centralized management, or if, between them, they take advantage of economies of scale, then there is not a lack of a unitary relationship. (3) The income at issue is of an investment, as opposed to an operational, nature. Interest earned on temporary investment of working capital, or on investments meant at maturity or at a later time to be applied to operations, is of an operational nature. And (4) The income and apportionment factors have been appropriately adjusted by related expenses and items used to produce the income.

Enter on Line 2(i) the total of Lines 2(a) through 2(h).

LINE 3 - SUBTOTAL

Subtract Line 2(i) from Line 1 and enter result on Line 3.

LINE 4 - ADDITIONS TO FEDERAL TAXABLE INCOME

Enter on Line 4(a) the amount of all net income taxes computed on the

basis of, or in lieu of, net income or net profit that are imposed by any state or political subdivision of any state and were deducted in computing Federal taxable income.

Enter on Line 4(b) the amount of loss incurred from the sale or other disposition of bonds or securities issued by the United States or its instrumentalities or by the State of Delaware or its political subdivisions.

Enter on Line 4(c) (from Schedule 1, Column 4) the amount of interest income received from obligations issued by any State or political subdivisions, other than the State of Delaware or its political subdivisions.

Enter on Line 4(d) the amount of any percentage depletion expense allowable under Federal Law, to the extent it is in excess of cost depletion.

Enter on Line 4(e) the amount of interest (including discounts) paid on intercorporate obligations, where creditor corporation eliminated such interest income from its income on Line 2(c).

Enter on Line 4(f) charitable donations claimed as a deduction in computing Federal taxable income for which the Neighborhood Assistance or the Land & Historic Resource Conservation Delaware income tax credits were granted.

Enter on Line 4(g) the total of Lines 4 (a) through 4(f).

LINE 5 - ENTIRE NET INCOME

Enter on Line 5 the amount of Federal taxable income (Line 1) reduced by the subtractions entered on Line 2(i), and increased by the additions entered on Line 4(g). This amount represents entire net income for purposes of the Delaware Income Tax Law.

If the net income reported on Line 5 is derived entirely from Delaware sources, and no part of such income is apportionable to business activities conducted in other states, enter the amount on Line 5 on Line 11 and omit Lines 6 through 10.

LINE 6 - TOTAL NON-APPORTIONABLE INCOME

Enter on Line 6 the total amount of non-apportionable income (or loss) from Schedule 2, Column 3, Line 8, which is explained below:

SCHEDULE 2 - NON-APPORTIONABLE INCOME ALLOCATED WITHIN AND WITHOUT DELAWARE

The State of Delaware has not adopted by statute or regulation the provisions of the Uniform Division of Income for Tax Purposes Act (UDITPA). The following items of income (less related or applicable expenses) must be allocated to Delaware or to another state. If an item of income, such as domestic dividends, miscellaneous income, is not specifically exempted or directly allocated under this Section, the item of income must be placed in the numerator of the gross receipts factor if Delaware is the state of commercial domicile. Please refer to the following rules of allocation.

Enter on Line 1, Column 3, Schedule 2, the total income received from rents and royalties from tangible property. Rent and/or royalty income received from property physically located in Delaware is allocated in Column 1. Rent and/or royalty income received from property physically located outside of Delaware is allocated in Column 2.

Enter on Line 2, Column 3, Schedule 2, the total income received from patent and copyright royalties. Patent and copyright royalties are to be allocated proportionately to Delaware (Column 1) or other States (Column 2) based on the State in which the product or process protected by the patent is manufactured or used, or in which the publication protected by the copyright is produced or printed.

Enter on Line 3 the amount of gains (or losses) realized from the sale or other disposition of real property, allocated to the State in which the property is physically located.

Enter on Line 4 the amount of gains (or losses) realized from the sale or other disposition of depreciable tangible property, allocated to the State in which the property is physically located or normally used in the taxpayer's business. The gain on the sale of rolling stock must be apportioned to the State(s) in which the property was used regardless of the location at the time of the sale.

Enter on Line 5 the amount of interest income (including discount) to the extent included in determining entire net income as reported in Schedule 1, Columns 4 and 5, allocated to the state where the transaction took place which resulted in creation of the obligation. In determining the state in which the obligation was created, the taxpayer must provide conclusive physical evidence indicating the state in which the obligation was created. Absent conclusive proof to the contrary, interest income will be allocated to the state of corporate domicile or to the state in which the investment or credit decisions were made.

Enter on Line 6 the total of Line 1 through Line 5 for Columns 1, 2 and 3.

Enter on Line 7 the total expenses applicable or directly related to Lines 1 through 5 of Schedule 2. Indicate the portion of the expenses applicable to the non-apportionable income allocated within Delaware (Column 1), without Delaware (Column 2) and total of both within and without Delaware (Column 3). All expenses related to the production of allocable income must be supported by appropriate documentation. If direct expenses cannot be documented, such expenses will be determined by

2004 DELAWARE 2004 CORPORATION INCOME TAX RETURN FOR CALENDAR YEAR 2004

or fiscal year beginning [] 2004, and ending [] 2005

Name of Corporation

Address

City & State Zip Code

Date and State of Incorporation Nature of Business

EMPLOYER IDENTIFICATION NUMBER

Employer ID number input boxes

CHECK APPLICABLE BOX:

INITIAL RETURN

CHANGE OF ADDRESS

EXTENSION ATTACHED

Initial Return checkbox

Change of Address checkbox

Extension Attached checkbox

IF OUT OF BUSINESS, ENTER DATE HERE: [] / [] / []

ATTACH COPY OF COMPLETED FEDERAL FORM 1120

Table with 4 columns: Description, Dollars, Dimes, and CENTS. Rows include Federal Taxable Income, Delaware income taxes, Delaware Taxable Income, Tax @ 8.7%, Delaware tentative tax paid, Credit carry-over, Total payments and credits, BALANCE DUE, and OVERPAYMENT.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than the taxpayer, the declaration is based on all information of which the preparer has any knowledge.

Date Signature of Officer Title

Date Signature of individual or firm preparing the return Address

INSTRUCTIONS FOR FORM 1100EZ

Use FORM 1100EZ Only If:

1. Your Federal Taxable Income (Line 30, Federal Form 1120) is less than \$10,000,000,
2. The addback of Delaware corporate income taxes deducted in computing Federal Taxable Income is the only modification to Federal Taxable Income and
3. All property owned and rented is located in Delaware, all wages and salaries are paid to employees working in Delaware and goods sold or services rendered are delivered or performed in Delaware.

SPECIFIC INSTRUCTIONS

Calendar Or Fiscal Year Operation

This 2004 Form 1100EZ is used to report your Delaware corporate income tax for calendar year 2004 or fiscal year beginning in 2004 and ending in 2005. If the corporation conducts business on a fiscal year basis, enter the beginning and ending dates of the fiscal year in a MM/DD/YYYY format.

Name, Address And Employer Identification Number

Enter the complete name, address and employer identification number of the corporation. Employer identification numbers are issued by the Internal Revenue Service by filing Federal Form SS-4.

Date And State Of Incorporation And Nature Of Business

Enter the date in MM/YYYY format and the state in which the corporation is incorporated. Enter a short phrase to describe the nature of business conducted by the corporation.

Check The Applicable Box

Check the **Initial Return** box if this is the first time the corporation is filing a Delaware corporate income tax return. Check the **Change Of Address** box if the address of the corporation has changed from the previous year's filing. Check the **Extension Attached** box if the corporation has obtained an approved federal or Delaware extension of time to file the corporate income tax return.

Out Of Business

Enter the exact date in MM/DD/YYYY format when the corporation ceased business operations if the corporation went out of business during, or on the last day of the corporation's tax year ending. **Do not enter a date if the corporation ceased operations in Delaware and will continue to conduct business in another state.**

- Line 1.** Enter on Line 1 the amount of your Federal Taxable Income (Line 30, Federal Form 1120).
- Line 2.** Enter on Line 2 the amount of all Delaware net income taxes computed on the basis of, or in lieu of, net income or net profit that are imposed by the State of Delaware or political subdivision of the State of Delaware and were deducted in computing Federal Taxable Income.
- Line 3.** Add Line 1 and Line 2 and enter on Line 3.
- Line 4.** Multiply Line 3, Delaware Taxable Income, by 8.7%.
- Line 5.** Enter on Line 5 the amount of Delaware Tentative Tax paid.
- Line 6.** Enter on Line 6 the amount of credit carryover from the immediately preceding taxable year.
- Line 7.** Enter on Line 7 the sum of the payments from Line 5 and Line 6. This amount represents the total credits available to be applied against the tax liability on Line 4.
- Line 8.** Subtract Line 7 from Line 4. If Line 4 is greater than Line 7, enter on Line 8 the **BALANCE DUE** to be paid in full.
- Line 9.** Subtract Line 7 from Line 4. If Line 7 is greater than Line 4, enter on Line 9(a) the **TOTAL OVERPAYMENT** available for refund and/or credit carryover. Enter on Line 9(b) the amount of **REFUND REQUESTED**. Enter on Line 9(c) the amount of credit **CARRYOVER REQUESTED**. The sum of Lines 9(b) and 9(c) must be equal to the amount entered on Line 9(a).

2004 DELAWARE 2004 CORPORATION INCOME TAX RETURN FOR CALENDAR YEAR 2004

or fiscal year beginning 2004, and ending 2005

EMPLOYER IDENTIFICATION NUMBER

Employer Identification Number grid

Name of Corporation

Address Zip Code

Delaware address if different from above Zip Code

Date and State of Incorporation Nature of Business

CHECK APPLICABLE BOX:

Initial Return, Change of Address, Extension Attached checkboxes

IF OUT OF BUSINESS, ENTER DATE HERE: / /

ATTACH COMPLETE COPY OF FEDERAL FORM 1120

Main tax return table with 20 lines and sub-rows (a-h) for deductions and credits. Includes fields for Federal Taxable Income, Subtractions, Additions, and Total Taxable Income.

SCHEDULE 1 - INTEREST INCOME

Description Of Interest	Column 1 Foreign Interest	Column 2 Interest Received From U.S. Securities	Column 3 Interest Received From Affiliated Companies	Column 4 Interest Received From State Obligations	Column 5 Other Interest Income
1	00	00	00	00	00
2	00	00	00	00	00
3	00	00	00	00	00
4	00	00	00	00	00
5	00	00	00	00	00
6 Totals	00	00	00	00	00

SCHEDULE 2 - NON-APPORTIONABLE INCOME ALLOCATED WITHIN AND WITHOUT DELAWARE

Description	Column 1 Within Delaware	Column 2 Without Delaware	Column 3 Total
1 Rents and royalties from tangible property	00	00	00
2 Royalties from patents and copyrights	00	00	00
3 Gains or (losses) from sale of real property	00	00	00
4 Gains or (losses) from sale of depreciable tangible property	00	00	00
5 Interest income from Schedule 1, Columns 4 and 5, Line 6	00	00	00
6 Total	00	00	00
7 Less: Applicable expenses (Attach statement)	00	00	00
8 Total non-apportionable income	00	00	00

SCHEDULE 3 - APPORTIONMENT PERCENTAGE

Schedule 3-A - Gross Real and Tangible Personal Property

Description	Within Delaware		Within and Without Delaware	
	Beginning of Year	End of Year	Beginning of Year	End of Year
1 Real and tangible property owned	00	00	00	00
2 Real and tangible property rented (Eight times annual rental paid)	00	00	00	00
3 Total	00	00	00	00
4 Less: Value at original cost of real and tangible property the income from which is separately allocated (See instructions)	00	00	00	00
5 Total	00	00	00	00
6 Average value (See instructions)		00		00

Schedule 3-B - Wages, Salaries, and Other Compensation Paid or Accrued to Employees

Description	Within Delaware	Within and Without Delaware
1 Wages, salaries, and other compensation of all employees	00	00
2 Less: Wages, salaries, and other compensation of general executive officers	00	00
3 Total	00	00

Schedule 3-C - Gross Receipts Subject to Apportionment

1 Gross receipts from sales of tangible personal property	00	00
2 Gross income from other sources (Attach statement)	00	00
3 Total	00	00

Schedule 3-D - Determination of Apportionment Percentage

1 Average value of real and tangible property within Delaware	00	=	%
2 Average value of real and tangible property within and without Delaware	00	=	%
3 Wages, salaries and other compensation paid to employees within Delaware	00	=	%
4 Wages, salaries and other compensation paid to employees within and without Delaware	00	=	%
5 Gross receipts and gross income from within Delaware	00	=	%
6 Gross receipts and gross income from within and without Delaware	00	=	%
7 Total			
8 Apportionment percentage (See instructions)			%

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than the taxpayer, the declaration is based on all information of which the preparer has any knowledge.

Date

Signature of Officer

Title

Date

Signature of individual or firm preparing the return

Address

MAKE CHECK PAYABLE AND MAIL TO: DELAWARE DIVISION OF REVENUE, P.O. Box 2044, Wilmington, DE 19899-2044
IF A 2D BARCODE APPEARS IN THE UPPER RIGHT CORNER OF PAGE 1 OF THIS FORM, SEND THE RETURN TO ONE OF THE FOLLOWING ADDRESSES:
MAIL REFUND OR BALANCE DUE RETURNS TO: DELAWARE DIVISION OF REVENUE, P.O. Box 8712, Wilmington, DE 19899-8712
MAIL ZERO DUE RETURNS TO: DELAWARE DIVISION OF REVENUE, P.O. Box 8719, Wilmington, DE 19899-8719

income subject to expense reduction and the denominator is total income.

Subtract Line 7 from Line 6 for Columns 1, 2 and 3. Enter the remainder on Line 8. Enter the remainder from Line 8, Column 1, on Line 10 on the front of the return. Enter the remainder from Line 8, Column 3, on Line 6 on the front of the return.

LINE 7 - INCOME SUBJECT TO APPORTIONMENT

Subtract Line 6 (total non-apportionable income) from Line 5 (entire net income) and enter the result (income or loss) on Line 7.

SCHEDULE 3(A) - GROSS REAL AND TANGIBLE PERSONAL PROPERTY

Enter on Line 1 the original cost value of all real and tangible personal property owned at the beginning and at the end of the taxable year allocable (a) within the State of Delaware and (b) within and without the State of Delaware. Enter on Line 2 the value of all real and tangible personal property rented at the beginning and at the end of the taxable year allocable (a) within the State of Delaware and (b) within and without the State of Delaware. The rented real and tangible property is valued at 8 times the annual rental. Include in the factor on the appropriate line, the taxpayer's share of real and tangible property owned and rented resulting from the taxpayer's proportionate ownership as a general or limited partner in an active partnership. Goods in transit should be included in the property factor of the state to which the goods are to be delivered. Real and tangible personal property owned by the United States Government that is used or operated by the taxpayer shall be disregarded.

Enter on Line 3 the total of Lines 1 and 2.

Enter on Line 4 of Schedule 3(a) the original cost of real and tangible personal property, the income from which is separately allocated in Schedule 2 or is excluded as non-business income on Line 2(h). Also enter on Line 4 the value of property currently under construction or property not used in the taxpayer's business.

Subtract Line 4 from Line 3 and enter the remainder on Line 5.

Calculate the average value of the property by adding on Line 5 the total beginning and total ending values of property within the State of Delaware and property within and without the State of Delaware respectively and divide each sum by two.

Enter on Line 6 the calculated average value of the property.

SCHEDULE 3(B) - WAGES, SALARIES AND OTHER COMPENSATION

Enter on Line 1 the total wages, salaries, bonuses and other compensation paid or accrued to employees engaged in employment within the State of Delaware and within and without the State of Delaware during the taxable year. Include in the factor on the appropriate line, the taxpayer's share of wages, salaries, bonuses and other compensation paid or accrued to employees, resulting from the taxpayer's proportionate ownership as a general or limited partner in an active partnership. Enter on Line 2 the wages, salaries, bonuses and other compensation paid or accrued to general executive officers. "General Executive Officers" means the officers of record in the state in which the taxpayer is incorporated.

Subtract Line 2 from Line 1 and enter the remainder on Line 3.

SCHEDULE 3(C) - GROSS RECEIPTS SUBJECT TO APPORTIONMENT

Enter on Line 1 in the column headed "Within Delaware", the gross receipts from the sales of tangible property physically delivered within Delaware to the purchaser or his agent located within the State of Delaware (but not including delivery to the United States Mail or to a common or contract carrier for shipment to a place outside Delaware). Enter in the column headed "Within and Without Delaware", the total gross receipts from the sales of tangible personal property both within and without Delaware during the income year. Include in the factor on the appropriate line, the taxpayer's share of gross receipts from the sale of tangible property and gross income from other sources resulting from the taxpayer's proportionate ownership as a general or limited partner in an active partnership.

Enter on Line 2 in the column headed "Within Delaware" all other gross income (if any) including receipts from services rendered within Delaware which are not tax exempt and which are not directly allocated in Schedule 2. Gross income from sources within Delaware must include taxable dividends, net gains or losses on the sale of intangible property and distributions from partnerships in which the taxpayer is a corporate partner, when the State of Delaware is maintained as the principal place from which the trade or business of the taxpayer is directed or managed. Other income is considered gross income from a Delaware source when the activity that gives rise to the income is performed within the State of Delaware. Enter on Line 2 in the column headed "Within and Without Delaware", all other gross income (if any) from other sources both within and without Delaware which are not tax exempt and which are not directly allocated in Schedule 2 (attach statement). Do not include on Line 2 the income which is excluded as non-business income on Line 2(h). Add the amounts on Line 1 and Line 2 and enter the total on Line 3.

If you are selling tangible personal property or providing services

within Delaware, you are liable for a Delaware Business License and the payment of a gross receipts tax on the receipts received from such sales or services.

SCHEDULE 3(D) - DETERMINATION OF APPORTIONMENT PERCENTAGE

Enter in the numerator on Line 1 the average value of all real and tangible personal property owned or rented in the State of Delaware. Enter in the denominator on Line 2 the average value of all real and tangible property owned or rented both within and without the State of Delaware as reported in Schedule 3(A) and compute the percentage.

Enter in the numerator on Line 3 the wages, salaries, and other compensation paid or accrued to employees within the State of Delaware.

Enter in the denominator on Line 4 the wages, salaries, and other compensation paid or accrued to employees within and without the State of Delaware, as reported in Schedule 3(B) and compute the percentage.

Enter in the numerator on Line 5 the gross receipts apportioned to the State of Delaware. Enter in the denominator on Line 6 the total gross receipts subject to apportionment as reported in Schedule 3(C) and compute the percentage.

Compute the respective percentages, carried to at least six decimal places, and enter in the appropriate column. Total the percentages and divide by: A factor of three if all three apportionment factors (property, wages, and sales) are present; A factor of two if only two apportionment factors (property or wages or sales) are present; A factor of one if only one apportionment factor (property or wages or sales) is present. For example, if the corporation has property and sales but does not pay any salaries, the apportionment percentage should be determined by the average of the two factors of property and sales. Enter the resulting percentage on Line 8, Schedule 3(D) and on Line 8 on the front of the return.

LINE 8 - APPORTIONMENT PERCENTAGE

Enter on Line 8 the apportionment percentage calculated on the back of the return in Schedule 3-D, Line 8.

LINE 9 - DELAWARE APPORTIONABLE INCOME

Multiply the income (or loss) subject to apportionment on Line 7 by the apportionment percentage on Line 8 and enter the result on Line 9.

LINE 10 - DELAWARE NON-APPORTIONABLE INCOME

Enter on Line 10 the income (or loss) calculated on the back of the return in Schedule 2, Column 1, Line 8.

LINE 11 - TOTAL DELAWARE INCOME

Enter on Line 11 the sum of Lines 9 and 10.

LINE 12 - DELAWARE TAXABLE INCOME

Enter on Line 12 the amount shown on Line 5 or Line 11, whichever is less. This is your Delaware Taxable Income.

LINE 13 - TAX COMPUTATION

To compute the tax liability on Line 13, multiply Line 12, Delaware Taxable Income by 8.7%.

LINE 14 - DELAWARE TENTATIVE TAX PAID

Enter on Line 14 the amount of Delaware tentative tax paid on Forms 1100T. Include on this line amounts paid with requests for extensions of time to file.

LINE 15 - CREDIT CARRYOVER FROM PRIOR YEARS

Enter on Line 15 the amount of credit carryover from the immediately preceding taxable year.

LINE 16 - OTHER PAYMENTS

Enter on Line 16 the amount of other corporate income tax payments made for the taxable year that are not included on Lines 14 and 15. Attach an explanation and evidence of payment.

LINE 17 - APPROVED INCOME TAX CREDITS

Enter on Line 17 the approved income tax credits from Delaware Form 700, Delaware Income Tax Credit Schedule.

LINE 18 - TOTAL PAYMENTS AND CREDITS

Enter on Line 18 the sum of the payments and credits from Lines 14 through 17. This amount represents the total credits available to be applied against the tax liability on Line 13.

LINE 19 - BALANCE DUE

Subtract Line 18 from Line 13. If Line 13 is greater than Line 18, enter on Line 19 the **BALANCE DUE** to be paid in full.

LINE 20 - OVERPAYMENT

Subtract Line 18 from Line 13. If Line 18 is greater than Line 13, enter on Line 20(a) the total overpayment available for refund and/or credit carryover.

Enter on Line 20(b) the amount of refund requested.

Enter on Line 20(c) the amount of credit carryover requested. The sum of Lines 20(b) and 20(c) must be equal to the amount entered on Line 20(a).

