STATE OF DELAWARE
2016 S Corporation Reconciliation 2016
And
Shareholders Information Return

INSTRUCTION HIGHLIGHTS
CALENDAR YEAR 2016 AND FISCAL YEAR ENDING 2017 TAX YEAR

Section 1158(a) of Title 30 of the Delaware Code requires that every corporation that is an S Corporation for Federal income tax purposes pay on behalf of each non-resident shareholder an amount equal to the highest personal income tax rate set in Section 1102(a) of Title 30 on the amount of the non-resident's share of distributive income apportioned to Delaware. If there is an overpayment of estimated tax paid on behalf of the non-resident shareholders, the overpayment must be included proportionally in the amount of estimated tax claimed by the non-resident shareholders upon the filing of their Delaware non-resident personal income tax returns. Overpayments of estimated tax will not be refunded to the S Corporation.

Federal Schedule K-1 cannot be used in lieu of Delaware Schedule A-1 when filing the S Corporation Reconciliation and Shareholders Information Return. Delaware Schedule A-1 must be filed for each **resident and non-resident** shareholder of the S Corporation.

Step by step instructions are provided in this Reconciliation booklet. The Division of Revenue Taxpayer Assistance offices are open in all three counties to assist you and answer your tax questions. Addresses and telephone numbers are listed below.

A Composite Personal Income Tax Return, Form 200-C (available at the offices listed below), for qualifying **non-resident** shareholders of an S Corporation may be filed in lieu of individual non-resident personal income tax returns if all of the following conditions are met:

1. Non-resident shareholders included in the composite return must be non-residents of the State of Delaware for the full taxable year.
2. Non-resident shareholders included in the composite return must have no income (including spouse's) from sources within the State of Delaware other than his or her distributive share from the S Corporation.
3. All non-resident shareholders included in the composite return must have the same tax year ending for income tax purposes.

The provisions of the Job Creation and Worker Assistance Act of 2002 which affect the taxable income of a corporation have been automatically adopted by the Delaware Director of Revenue.

Title 30 of the Delaware Code authorizes five different income tax credits for which an S Corporation may be eligible. The income tax credits that are available are the Economic Development, Green Industries, Research & Development, Land & Historic Resource Conservation and Historic Property Preservation. Please see page 6 of this instruction booklet for details concerning the income tax credits.

Step by step instructions for completing the Delaware S Corporation Reconciliation and Shareholders Information 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.revenue.delaware.gov. 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. A new feature added to this site enables any business whose current Delaware business license expires on December 31, 2016 to renew their business license for 2017 online and pay their license fee by using a credit card. The business will have the ability to print a temporary license directly from the website and subsequently be mailed a permanent license. In addition, any business renewing a license online may also elect a one or three year business license.

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
20653 DuPont Blvd, Suite 2
Georgetown, Delaware 19947
Telephone: (302) 856 - 5358
Fax: (302) 856 - 5697

S CORPORATION RECONCILIATION AND SHAREHOLDERS INFORMATION RETURN INSTRUCTIONS

GENERAL INSTRUCTIONS

CORPORATIONS REQUIRED TO FILE RETURNS

Every S Corporation deriving income from sources within Delaware is required to file an S Corporation Reconciliation and Shareholders Information Return (Form 1100S).

The Federal Small Business Job Protection Act amended Subchapter S of the Internal Revenue Code by revising the manner in which Federal S Corporations may organize. The State of Delaware has issued regulations (Technical Information Memorandum 98-2) to adopt the provisions of Sections 1361 through 1379 of the Regulations to the Internal Revenue Code of 1986. A valid election under the rules prescribed by the Internal Revenue Service by a parent S Corporation to treat a wholly owned subsidiary as a QSSS shall be valid for Delaware purposes upon making the federal election. Entities carrying on a trade or business within Delaware are subject to the provisions of Title 30 of the Delaware Code and are required to file income tax returns for such years. An S Corporation which has elected to treat a subsidiary which is conducting business in Delaware as a QSSS shall be a taxable entity in Delaware and the items of income, deductions and apportionment factors of the QSSS shall be included on the income tax return of the S Corporation. The QSSS is also subject to the licensing and gross receipts provisions of Title 30 of the Delaware Code with respect to its business activities conducted within Delaware.

Section 1902(b)(9) of Title 30 of the Delaware Code exempts from the corporation income tax qualified small business corporations having a valid election under Subchapter S of the Federal Internal Revenue Code.

If exemption is claimed under this Section, complete Form 1100S, S Corporation Reconciliation and Shareholders Information Return and attach a copy of Federal Form 1120S.

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.

Consolidated returns are not permitted under Delaware Law.

PERIOD COVERED BY RETURN

The income 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 2016 or fiscal year beginning in 2016 and ending in 2017.

Short period returns are required when there is a change of the annual accounting period or where the S Corporation is not in existence for the entire year. Short period returns are also required when there is a change of an S election. 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 of dissolving corporations are due on the first day of the fourth month after the end of the short period year.

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 1/2% per month from the original due date until paid. In addition to the above penalties and interest, an additional penalty of 1% 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.

ESTIMATED TAX FILING REQUIREMENTS

Every S Corporation deriving income from sources within Delaware must make estimated payments of personal income tax on behalf of its non-resident shareholders based on the non-residents' share of the distributive income of the corporation. The S Corporation must make an estimate of its distributive income for the taxable year (apportioned to Delaware) and multiply it by the percentage of stock owned by the non-resident shareholders. This amount is then multiplied by 6.60% to determine the amount of personal income tax required to be paid by the S Corporation.

Every S Corporation with non-resident shareholders is required to declare the amount of its estimated tax liability and prepay the amount of its estimated tax liability in four installments. House Bill No. 257, signed July 23, 1997, eliminates the requirement for the S Corporation to file and remit estimated tax when the S Corporation's taxable period is less than 92 calendar days. The declaration, and remittance equal to 50% of the S Corporation's estimated tax liability, are due on or before the first day of the fourth month of the taxable year. The declaration (Form P-1) is due even if the estimated tax liability is zero and no remittance is required. The remaining coupons -- P-2, P-3, and P-4 -- are not required to be filed if the estimated tax liability remains at 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 estimated 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.

Failure to make a declaration or file and pay the required payments of personal income tax will result in a penalty. A penalty of 1.5% per month is imposed on any underpayment or late payment of estimated taxes from the due date of the estimated payment to the date the tax was paid. The penalty will not be imposed if the total estimated tax timely paid equals or exceeds 80% of the current year's liability or equals or exceeds 100% of the tax liability of the first preceding taxable year.

S 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 liability.

A program has been established enabling an S Corporation to remit estimated tax payments electronically. This program is made available to all S Corporations on a voluntary basis. The Electronic Funds Transfer options available to you include:

1. ACH Debit Option: The S 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 S Corporation's depository to the State's depository.
2. ACH Credit Option: The S 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 8763, Wilmington, DE 19899-8763, (302) 577-8231, or by visiting our website.

WHEN TO FILE AND EXTENSIONS

File Delaware Form 1100S 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 S Corporation Reconciliation and Shareholders Information Return is made by filing Voucher 1100P-EXT contained in the Delaware PAYMENT OF PERSONAL INCOME TAX BY S CORPORATIONS coupon booklet 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 estimated personal income tax required to be paid on behalf of its non-resident shareholders must be remitted with the request for extension.** 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 may be requested by letter on or before the due date of the return. A copy of the Division of Revenue Approval Letter must be attached to the final return when filed.

NOTICE OF FEDERAL TAX ADJUSTMENT

If a taxpayer files an amended Federal income tax return, it is required within 90 days to file an amended State of Delaware S Corporation Reconciliation and Shareholders Information Return 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.

ATTACH COPY OF FEDERAL RETURN

You must attach a copy of your Federal return (Form 1120S) for the income year, including all schedules and exhibits, including Schedule K and K-1, when filing your Delaware return.

A copy of Delaware Schedule A-1 from the Delaware S Corporation Reconciliation and Shareholders Information Return must be attached to the Delaware personal income tax return when filed by the respective resident or non-resident shareholder.

MAGNETIC REPORTING OF FORM 1099 INFORMATION

Any S 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 1009-R forms are required to be filed directly with Delaware. All others, including 1099-DIV and 1099-INT need not be filed.

SPECIFIC INSTRUCTIONS

IMPORTANT

To ensure the timely and proper processing of your S Corporation Reconciliation and Shareholders Information 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. For purposes of these instructions "taxpayer" means the S Corporation.

INTRODUCTION

As a result of the enactment of House Bill No. 573, 68 Del. Laws Ch. 423, effective for tax years beginning on or after January 1, 1992, S Corporations are no longer subject to the Delaware corporate income tax.

Effective for taxable years beginning on or after January 1, 1992, non-resident shareholders are subject to Delaware personal income tax on their portion of the distributive share of the income and deductions of an S Corporation apportioned to Delaware.

An S Corporation is not entitled to adjust its taxable income by a net operating loss carryback or carryforward. There are no statutory modifications or adjustments to Federal taxable income that permits such net operating loss deductions to be taken into account in computing Delaware taxable income under Chapter 19, Title 30 of the Delaware Code. Refer to Delaware Tax Ruling 78-3.

For Delaware personal income tax purposes, resident shareholders are entitled to the benefit of their portion of any net operating loss incurred by the S Corporation. Commencing with tax years beginning on or after January 1, 1992 and to the extent that a net operating loss carryforward resulted from a Delaware S Corporation, net operating loss deductions may be carried forward on the personal income tax returns of non-resident shareholders. These losses may include losses incurred in tax periods beginning before January 1, 1992. There is no net operating loss carryover allowable on the shareholder's Delaware personal income tax return that does not derive from a carryover on the shareholder's Federal personal income tax return for the same year.

NON-RESIDENT SHAREHOLDERS

An S Corporation is exempt from corporate taxation. Resident and non-resident shareholders must report their respective share of S distributive income on their individual personal income tax returns. A Composite Personal Income Tax Return, Form 200-C, for qualifying non-resident shareholders of an S Corporation may be filed in lieu of individual non-resident personal income tax returns if all of the following conditions are met: (1) The non-resident shareholders must be non-residents of the State of Delaware for the full taxable year, (2) The non-resident shareholders must not have income (including spouse's) from sources within the State of Delaware other than his or her distributive share from the S Corporation and (3) The non-resident shareholders must have the same tax year ending for personal income tax purposes. An S Corporation which has one or more non-resident shareholders is required to make estimated personal income tax payments on behalf of its non-resident shareholders. S Corporations which conduct business in more than one state must allocate and apportion their income among the respective states. Please refer to the specific instructions for Delaware Schedule A and for Delaware Form 1100S to calculate distributive income for a non-resident shareholder.

DELAWARE SCHEDULE A - RECONCILIATION OF ORDINARY INCOME TO TOTAL INCOME

The Ordinary Income reported on Federal Form 1120S, Schedule K, Line 1 must be modified for Delaware purposes by certain additions and subtractions to reflect the “flow through” items to the shareholders that are not included in ordinary income on Federal Form 1120S. Begin with Schedule 1 on the back of Delaware Schedule A.

Delaware Schedule 1(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. 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 Delaware Schedule 1 (A) the original cost of real and tangible personal property, the income from which is separately allocated on Lines 4 through 14 of Delaware Schedule A. Also enter on Line 4 the value of property currently under construction or property not used in the S Corporation's business.

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

Calculate on Line 5 the average value of the real and tangible property by adding 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 real and tangible property.

Include in the property factor on the appropriate lines, 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.

Delaware Schedule 1(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 wage 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.

Delaware Schedule 1(C) - Gross Receipts Subject to Apportionment

Enter on Line 1 in the column headed “Within Delaware”, the gross receipts from the sales of tangible personal 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” 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) from other sources, including receipts from services rendered within Delaware, which are not tax exempt and which are not directly allocated on Lines 4 through 14 of Delaware Schedule A. Gross income from sources within Delaware includes 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 the total 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 on Lines 4 through 14 of Delaware Schedule A. Include a separate schedule listing the items of other income included on this line. 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.

Delaware Schedule 1(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 personal property owned or rented both within and without the State of Delaware as reported in Delaware Schedule 1(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 Delaware Schedule 1(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 Delaware Schedule 1(C) and compute the percentage.

Compute the respective percentages, carried to at least six (6) 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, Delaware Schedule 1(D) and on Line 2, Delaware Schedule A, Form 1100S.

DELAWARE SCHEDULE A - RECONCILIATION OF ORDINARY INCOME TO TOTAL INCOME

Line 1 - Ordinary Income (Loss)

Enter the amount from Federal Form 1120S, Schedule K, Line 1.

Line 2 - Apportionment Percentage

Enter the apportionment percentage from Delaware Form 1100S, Schedule 1-D, Line 8.

Line 3 - Ordinary Income Apportioned to Delaware

Multiply Line 1 by the percentage on Line 2 and enter the result on Line 3.

Line 3 (a) - Enter in Column A the amount from Line 1 and in Column B the amount from Line 3.

ADDITIONS:

Lines 4 and 5 - Net Income (Loss) From Rental Real Estate and Other Rental Activities

Enter the amount from Federal Form 1120S, Schedule K, Lines 2 and 3c respectively in Column A. Enter in Column B the net income or loss from rental activities from property physically located within Delaware.

Lines 6, 7, and 8 - Interest, Dividend and Royalty Income

Enter the amount from Federal Form 1120S, Schedule K, Lines 4, 5a and 6 in Column A. Enter in Column B, Lines 6, 7, and 8 respectively, taxable interest, dividends and royalties if the S Corporation's commercial domicile is located in Delaware.

Lines 9 and 10 - Net Short and Long Term Capital Gain (Loss)

Enter the amount from Federal Form 1120S, Schedule K, Lines 7 and 8a in Column A. Enter in Column B, Lines 9 & 10 respectively, the net short-term and long-term capital gain or loss if the asset is employed in a trade or business in Delaware.

Line 11 - Net Gain (Loss) Under Section 1231 (Other Than Casualty or Theft)

Enter the amount from Federal Form 1120S, Schedule K, Line 9 in Column A. Enter in Column B, Line 11, Section 1231 gains (losses) if the asset is employed in a trade or business in Delaware.

Line 12 - Other Income (Loss)

Enter the amount from Federal Form 1120S, Schedule K, Line 10 in Column A. Enter in Column B, any other income or loss not included on Lines 1 through 9, such as recoveries of tax benefit items; gambling gains and losses or net gain (loss) from involuntary conversions due to casualty or theft derived from sources within Delaware.

Line 13 - Total

Add Lines 3(a) through 12 in Columns A and B.

SUBTRACTIONS:

Line 14 - Section 179 Expense Deduction

Enter the amount from Federal Form 1120S, Schedule K, Line 11 in Column A. Enter in Column B the same amount if the asset, for which the Section 179 expense deduction is claimed, is employed in a trade or business in Delaware.

Line 15 - Charitable Contributions

Enter the amount of charitable contributions paid by the S Corporation during its tax year from Federal Form 1120S, Schedule K, Line 12a in Column A. Enter in Column B the same amount if the S Corporation's commercial domicile is located in Delaware or if the taxpayer can demonstrate that the contribution is connected with sources within Delaware.

Line 16 - Other Deductions

Enter the amount from Federal Form 1120S, Schedule K, Line 12d in Column A. Enter in Column B, Line 16 the same amount if the S Corporation's commercial domicile is located in Delaware.

Line 17 - Depletion Expense

Enter all depletion expense included on Federal Form 1120S, Schedule K, Line 15e in Column A. Enter the same amount in Column B.

Line 18 - Total

Add Lines 14 through 17 and enter the amount on Line 18.

Line 19 - Total Net Income (Loss)

Subtract Line 18 from Line 13 and enter the amount on this line. **Enter the amount from Column B on Line 1, Delaware Form 1100S.**

FORM 1100S - S CORPORATION RECONCILIATION AND SHAREHOLDERS INFORMATION RETURN

CALENDAR OR FISCAL YEAR OPERATION

Delaware Form 1100S and its schedules is an information return used to reconcile Federal ordinary income to Delaware distributive income and to pay any additional tax due on behalf of non-resident shareholders for the calendar year 2016 or fiscal year beginning in 2016 and ending in 2017. If the S Corporation conducts business on a fiscal year basis, insert 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, corporate headquarters address, Delaware address (if different from the corporate headquarters address) and employer identification number of the S 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 S Corporation is incorporated. Enter a short phrase to describe the nature of business conducted by the S Corporation.

CHECK THE APPLICABLE BOX

Check the **Initial Return** box if this is the first time the S Corporation is filing a Reconciliation and Shareholders Information Return. Check the **Change Of Address** box if the address of the S Corporation has changed from the previous year's filing. Check the **Extension Attached** box if the S Corporation has obtained an approved Federal or Delaware extension of time to file a Reconciliation and Shareholders Information Return.

OUT OF BUSINESS

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

LINE 1 - TOTAL NET INCOME

Enter the amount from Delaware Form 1100S, Schedule A, Column B, Line 19.

LINE 2 - SUBTRACTIONS FROM TOTAL NET INCOME

Enter on Line 2(a) the amount of interest income received from bonds or securities of the United States or its instrumentalities, less applicable expenses to the extent such interest income is included in Line 1.

Enter on Line 2(b) 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 280C, IRC, relating to the portion of wages for which the New Jobs credit is claimed. Attach copy of Federal Form 5884 - New Jobs Credit.

Add Lines 2(a) and 2(b) and enter on Line 2(c).

LINE 3

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

LINE 4 - ADDITIONS TO TOTAL NET INCOME

Enter on Line 4(a) the amount of interest income received from obligations issued by any State or political subdivision other than the State of Delaware or its political subdivisions to the extent such interest income is not included in Line 1.

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

Enter on Line 4(c) the amount of the charitable contributions included in Line 1 for which the Delaware Land & Historic Resource Conservation credit was granted.

Add Lines 4(a) through 4(c) and enter on Line 4(d).

LINE 5 - DISTRIBUTIVE INCOME

Enter on Line 5 the amount of distributive income by adding Lines 3 and 4(d).

LINE 6 - PERCENTAGE OF STOCK OWNED BY NON-RESIDENT SHAREHOLDERS

Enter on Line 6 the percentage of stock owned by non-resident shareholders. If the S Corporation has shareholders who have not been residents of Delaware for the entire year, please contact the Division of Revenue for specific instructions. Complete Delaware Schedule A-1, Shareholder's Share of Income, Deductions & Credits for **ALL** shareholders.

STOP HERE IF ALL SHAREHOLDERS ARE DELAWARE RESIDENTS.

LINE 7 - DISTRIBUTIVE INCOME OF NON-RESIDENT SHAREHOLDERS

Multiply Line 5 by the percentage on Line 6. This represents the entire distributive income attributable to non-resident shareholders.

LINE 8 - TAX DUE

Multiply Line 7 by 6.60%. This is the amount of estimated taxes which must be paid on behalf of the non-resident shareholders.

LINE 9 - ESTIMATED TAX PAID

Enter on Line 9 the estimated tax paid for the taxable year from Delaware Form 1100P. Include on this line payments made with requests for extensions of time to file. The statute requires prepayment by the S Corporation on behalf of the non-resident shareholders. Please refer to Estimated Tax Filing Requirements on Page 2 and Form 1100P for due dates and amounts required to be paid.

LINE 10 - OTHER PAYMENTS

Enter on Line 10 other payments not included on Line 9 and attach an explanation of such payments.

LINE 11 - APPROVED INCOME TAX CREDITS

Enter on Line 11 the approved income tax credits for the S Corporation, multiplied by the percentage of stock owned by non-resident shareholders, from Delaware Form 700, Delaware Income Tax Credit Schedule.

LINE 12 - TOTAL PAYMENTS AND CREDITS

Add Lines 9 through 11 and enter the amount on Line 12.

LINE 13 - BALANCE DUE OR OVERPAYMENT

If Line 8 is greater than Line 12, enter the balance due and pay in full. If Line 12 is greater than Line 8, the amount on Line 12 will be included proportionally in the amount of estimated tax claimed by the non-resident shareholder(s) upon the filing of their Delaware non-resident personal income tax return. A refund will not be issued directly to the S Corporation for any overpayment of estimated tax paid on behalf of the non-resident shareholder(s). Refer to the instructions for Delaware Schedule A-1 for reporting such amount to the non-resident shareholders.

DELAWARE SCHEDULE A-1

An S Corporation must prepare Delaware Schedule A-1, Shareholders Share of Income, Deductions & Credits for all shareholders. One copy is to be given to each shareholder and a copy must be attached to this return. Delaware Schedule A-1 is similar to Federal Schedule K-1, with the addition of several lines for state modifications and credits. Complete Delaware Schedule A-1 by multiplying the respective lines on Delaware Schedule A and Delaware Form 1100S by the percentage of stock owned by each shareholder. Use Column A to report resident shareholder information and Column B to report non-resident shareholder information. Federal Schedule K-1 cannot be used in lieu of Delaware Schedule A-1 when filing the S Corporation Reconciliation and Shareholders Information Return. Delaware Schedule A-1 must be filed for each **resident and non-resident** shareholder of the S Corporation.

DELAWARE S CORPORATION INCOME TAX CREDITS

Title 30 of the Delaware Code authorizes seven different credits to be applied against Delaware income tax. The 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. The Economic Development, Green Industries, Research & Development, Land & Historic Resource Conservation and Historic Property Preservation income tax credits are available for an S Corporation.

Becoming a qualified S Corporation, eligible for any of the five income tax credits, requires pre-approval by the State agency responsible for the approval of such credits.

ECONOMIC DEVELOPMENT CREDIT

Any S Corporation conducting a qualified activity within Delaware and has placed in service a qualified new or expanded facility may be eligible for Delaware S Corporation income tax credits equal to $400 for each qualified employee hired and $400 for each $100,000 invested in the qualified facility. The facility may also be eligible for a ten year reduction in the Delaware gross receipts tax. The qualified new or expanded facility must hire 5 or more qualified employees and invest a minimum of $200,000 in property, plant and equipment to be eligible for the credit.

A qualified activity is defined as:

1. Engaging in business as a manufacturer or wholesaler,
2. Operation of a facility for the purpose of scientific, agricultural or industrial research,
3. Administration, management or support operations of a manufacturer, wholesaler or research facility,
4. Any activity more than 50% of whose annual gross receipts are derived from computer processing, data preparation, engineering services, consumer credit reporting services, and wholesale sale of computer software.
5. Any activity more than 50% of whose annual gross receipts are derived from aviation services and employing at least 100 qualified employees,
6. Telecommunications services which shall include the administration, supervision, maintenance, repair and deployment of the physical infrastructure associated with telecommunications services. This qualified activity requires 50 qualified employees and $750,000 in capital investment to qualify for the Economic Development Credits.

A facility may be considered a qualified facility without hiring any qualified employees if the capital investment equals the greater of $1 million or 15% of the unadjusted basis in the facility at the close of the taxable year preceding the date on which installation or construction of the investment commenced.

Any S Corporation that places a qualified facility into service in a "targeted area" may be eligible for increased Delaware S Corporation income tax credits equal to $650 for each qualified employee hired and $650 for each $100,000 invested in a qualified facility.

A targeted area is defined as:

1. Any real property located within Delaware that is owned by this State, any political subdivision of the State or any agency or instrumentality of the State or its political subdivisions,
2. Any real property located within Delaware that is owned by a non-profit organization as defined by Section 501(c) of the Internal Revenue Code,
3. Any area located within Delaware that has been approved by the United States Department of Commerce as a general purpose foreign trade zone,
4. Any 1980 Delaware census tracts, as defined by the United States Department of Commerce, Bureau of the Census.

Any S Corporation that places a qualified facility into service on a qualified "brownfield" site may be eligible for Delaware S Corporation income tax credits equal to $650 for each qualified employee hired and $650 for each $100,000 invested in the brownfield site. A brownfield site is defined as a vacant or unoccupied site that has been environmentally contaminated by commercial or industrial activity as verified by the Department of Natural Resources and Environmental Control. If the brownfield site is located in a targeted area, the corporation may be eligible for Delaware S Corporation income tax credits equal to $900 for each qualified employee hired and $900 for each $100,000 invested in the brownfield site.

GREEN INDUSTRIES CREDIT

Reductions in Waste Release - Any manufacturer that voluntarily reduces by at least 20% the weight of wastes in the current year in comparison to the amount of wastes in the immediately preceeding 12 months and are reported under the Toxic Release Inventory reflected by Inventory Report forms filed for the year may be eligible for Delaware S Corporation income tax credits equal to $400 for each 10% of waste reduction during the year and for each of the 4 succeeding years during which the reduced amount of release is maintained.

Any manufacturer that voluntarily reduces by at least 50% the weight of other wastes released in the current year in comparison to the amount of wastes in the immediately preceeding 12 months may be eligible for Delaware S Corporation income tax credits equal to $400 for each 10% of waste reduction during the year and for each of the 4 succeeding years during which the reduced amount of release is maintained.

Use of Recycled Materials as Raw Materials - Any manufacturer who derives at least 25% by weight of its raw materials from either recycled materials or materials removed from the Delaware solid waste stream, satisfies the requirements of Section 2011(a) of Title 30 of the Delaware Code and uses such materials in its qualified facility may be eligible for Delaware S Corporation income tax credits equal to $650 for each qualified employee hired and $650 for each $100,000 invested in the qualified facility.

If the qualified facility is located in a targeted area, the manufacturer may be eligible for Delaware S Corporation income tax credits equal to $900 for each qualified employee hired and $900 for each $100,000 invested in the qualified facility.

Processing of Waste Materials - Any S Corporation who is engaged in the business of processing materials removed from the Delaware solid waste stream for resale as raw materials to manufacturers, satisfies the requirements of Section 2011(a) of Title 30 of the Delaware Code and whose qualified investment is devoted entirely to the processing and resale of materials removed from the Delaware solid waste stream may be eligible for Delaware S Corporation income tax credits equal to $650 for each qualified employee hired and $650 for each $100,000 invested in the qualified facility.

If the qualified facility is located in a targeted area, the S Corporation may be eligible for Delaware S Corporation income tax credits equal to $900 for each qualified employee hired and $900 for each $100,000 invested in the qualified facility.

Collection and Distribution of Recycled Materials - Any S Corporation who is engaged in the business of collecting materials for recycling and distributing recycled materials, satisfies the requirements of Section 2011(a) of Title 30 of the Delaware Code and whose qualified investment is devoted entirely to collection of materials for recycling and distribution of recycled materials may be eligible for Delaware S Corporation income tax credits equal to $650 for each qualified employee hired and $650 for each $100,000 invested in the qualified facility.

If the qualified facility is located in a targeted area, the S Corporation may be eligible for Delaware S Corporation income tax credits equal to $900 for each qualified employee hired and $900 for each $100,000 invested in the qualified facility.

RESEARCH AND DEVELOPMENT CREDIT

Any S Corporation that incurs qualified research and development expenses may be eligible for Delaware S Corporation income tax credits.

An S Corporation may elect Delaware research and development tax credits for the taxable year equal to: (1) 10% of the excess of the S Corporation's total Delaware qualified research and development expenses for the taxable year over the S Corporation's Delaware base amount, or (2) 50% of Delaware's apportioned share of the S Corporation's federal research and development tax credit calculated using the alternative incremental credit method under Section 41(c)(4) of the Internal Revenue Code of 1986, using federal definitions and methodology. Delaware's apportioned share of the federal credit shall be the amount of the alternative incremental credit the S Corporation can claim under Section 41(c)(4), multiplied by a percentage equal to the ratio of the S Corporation's Delaware qualified research and development expenses for the taxable year to the S Corporation's total qualified research and development expenses for the taxable year.

LAND AND HISTORIC RESOURCE CONSERVATION CREDIT

Any S Corporation may be eligible for Delaware S Corporation income tax credits equal to 40% of the fair market value of any land or interest in land located in Delaware which is conveyed for the purpose of open space, natural resource, and/or biodiversity conservation or historic preservation as an unconditional donation in perpetuity by the landowner/taxpayer to a public or private conservation agency eligible to hold such land and interest therein for conservation or preservation purposes.

HISTORIC PROPERTY PRESERVATION CREDIT

Beginning with taxable years that commence on or after January 1, 2001, any S Corporation incurring qualified expenditures in the rehabilitation of any certified historic property may be eligible for Delaware S Corporation income tax credits equal to:

1. 20% (30% if any part of the certified rehabilitation of a residential property is determined by the Delaware State Historic Preservation Office to be committed to low income housing) of the qualified expenditures made in the rehabilitation of any certified historic property which is eligible for a federal tax credit under Section 47 of the Internal Revenue Code; and
2. 30% (40% if any of the certified rehabilitation of a residential property is determined by the Delaware State Historic Preservation Office to be committed to low income housing) of the qualified expenditures made in the rehabilitation of any certified historic property which is not eligible for a federal tax credit under Section 47 of the Internal Revenue Code.

Qualified expenditures for the credit may be incurred after December 31, 2000, but the income tax credit may not be claimed until after July 1, 2002.