

**TAX TIPS FOR
AUCTIONEERS
CONDUCTING BUSINESS IN DELAWARE**

Things You Should Know

Definitions 30 Del. C., Ch. 23

An auctioneer includes every person engaged in the business of 'crying' sales of real or personal property on behalf of other persons for profit. No auctioneer is authorized to employ any other person to act as an auctioneer in his behalf, except in his own store or warehouse or in his presence. The term 'auctioneer' does not apply or extend to a judicial or executive officer making sales in accordance with an execution, judgment or decree of any court nor to public sales made by executors or administrators.

Gross Receipts

Consideration for services rendered includes cash, checks, credit cards, gift certificates, travelers checks, money orders, barter, trade-ins, manufacturer's coupons and rebates, and any other consideration of any kind.

Gross Receipts May Not be Reduced By:

- Cost of material and/or labor
- Interest, discount or delivery costs
- State or Federal taxes

License and Gross Receipts Requirements

A resident auctioneer is required to obtain a business license -- \$75 for the first location and \$25 for each additional location which must be renewed annually on or before December 31st of each year. Non-Resident Auctioneers must pay an annual fee of \$225 for each county in which they work. Additionally, the licensee must pay a gross receipts tax at the rate of .384% (.00384) on taxable commissions and fees received from services provided. The first \$80,000 of commissions and fees received per month (\$240,000 quarterly) are exempt from the gross receipts tax. Specific instructions will be sent to new registrants with a personalized gross receipts coupon book. To register and apply for a business license, complete a Combined Registration Application, available on the Internet, and mail to the Division of Revenue with the appropriate fee.

Tax Rates and Exclusions

	Tax Rate	Monthly Exclusion
Auctioneer\	.00384	\$80,000
Sample Calculation	Total Gross Receipts	\$173,000
	Less Exclusion	<u>80,000</u>
	Taxable Gross Receipts	\$ 93,000
	Tax Rate	X <u>.00384</u>
	Tax Due	\$ 357

(Note: Delaware requires that tax due be rounded-off to the nearest dollar amount.)

Due Dates of Returns

New licensees will file on a quarterly basis through their first calendar year. The Division of Revenue will then perform a 'lookback' procedure and determine if the filing frequency should be changed.

Monthly Filers 20th day of the following month
 Quarterly Filers last day of the first month after the end of the calendar quarter.

Gross Receipts Tax Exemption

Effective January 1, 1997, House Bill No. 678, exempts from business license gross receipts tax transactions between small, closely held firms. To qualify, the subject firms must be 80% owned by the same five or fewer shareholders, or 100% owned by the same family.

Common Ownership/Direction

Businesses which operate their separate branches by the use of separate operating corporations are only entitled to one monthly or quarterly exclusion for the enterprise to the extent that the corporations have common ownership or common direction and control.

Caution Concerning Multiple Exclusions

Nearly all licensees are permitted to reduce their monthly or quarterly gross receipts by certain specific exclusions in determining their taxable gross receipts. The Delaware Code limits the number of allowable exclusions for each general business activity. A taxpayer conducting a business activity for which an exclusion is provided is entitled to **ONLY ONE** monthly or quarterly exclusion regardless of the number of locations at which such activity is conducted. For example, a taxpayer who operates multiple beauty shops should aggregate the receipts from all services provided at all locations and subtract only one monthly exclusion. Separate retail licenses are not required for the sale of food and petroleum products. While the Division of Revenue may assign a unique business code which reflects the primary service sold, the service provider may sell multiple services without obtaining a separate license for each product line. However, separate licenses are required and separate exclusions are permitted if a taxpayer conducts more than one **ACTIVITY**, such as providing a service and retailing or wholesaling.

Regulatory and Local Requirements

The Business License Issued by the Division of Revenue is not a regulatory license and the issuance of such license does not attest to the qualifications of the applicant to perform the activity described on such license. Many local jurisdictions have requirements for a business license and may have restrictions concerning the locations of conducting the referenced business activity. Please check with the local government office in the town, city or county in which you will conduct your business.

The State of Delaware also has a Division of Professional Regulations. Many occupations and some types of equipment have regulatory requirements. Please contact the Division of Professional Regulation for more information.

General

If you have any questions, please contact one of the following offices

<i>Wilmington</i>	<i>Dover</i>	<i>Georgetown</i>
Division of Revenue Carvel State Office Building 820 North French Street Wilmington DE 19801 (302) 577-8205	Division of Revenue Thomas Collins Building 540 South DuPont Highway Suite 2 Dover DE 19901 (302) 744-1085	Division of Revenue Suite 2 422 North DuPont Highway Georgetown DE 19947 (302) 856-5358

or by e-mail at: elliott.johns@state.de.us (302) 577-8265

