

## Delaware Business Gross Receipts Tax Cut Expected Next Year

Delaware's Legislative Leadership and Governor Minner reached a budget agreement on June 15 that includes a significant reduction in the State's Gross Receipts Tax. The agreement, which has yet to be enacted, would increase the monthly exclusion by \$30,000 to \$80,000 and reduce the rate by 20% across the board (auto manufacturers would see a 25% reduction). Based on the fiscal note, it is expected that these reductions will become effective on January 1, 2006.

Delaware's Gross Receipts Tax rate currently ranges from 0.096% to 1.92% (which is expected to drop in 2006 to 0.0768% to 1.536%) depending upon the 17 categories of business activity, with the highest rate applied to leasing of tangible personal property. Any business entity (including proprietorships and partnerships) engaged in business activity (including professional services) in Delaware (whether or not the business has an office or employees in Delaware) is subject to the tax.

Unlike a sales tax, which is imposed on the purchaser but collected by the seller, a gross receipts tax is levied directly upon the seller, including most service providers. Also, there is no exemption for a "sale for resale," which is unlike a sales tax. Delaware is the only state with a gross receipts tax instead of a sales tax.

---

Stevens & Lee's State and Local Tax Practice assists clients who may be doing business in Delaware in determining the extent of their responsibility for the Gross Receipts Tax and ways to minimize their exposure. Our services include consultation with respect to business activity classifications and exclusions and negotiation with the Division of Revenue to mitigate the impact of any prior non-compliance.

For more information about Stevens & Lee's State and Local Tax Practice, please visit our website at [www.stevenslee.com/practice/salt.htm](http://www.stevenslee.com/practice/salt.htm). Tom Bowen and Matt Wilk together have over 25 years of state and local tax experience. Contact them directly at:

Thomas A. Bowen, Esq.  
717-561-5264  
[tab@stevenslee.com](mailto:tab@stevenslee.com)

Matthew Wilk, Esq.  
610-478-2272  
[mw@stevenslee.com](mailto:mw@stevenslee.com)

**STEVENS & LEE**  
**LAWYERS & CONSULTANTS**  
Understanding Your Business Is Our Business

Philadelphia • Reading • Valley Forge • Lehigh Valley • Harrisburg • Lancaster  
Scranton • Wilkes-Barre • Princeton • Cherry Hill • New York • Wilmington