

**TAX TIPS FOR
HARNESS AND HORSE RACING AND
VIDEO LOTTERY OPERATORS
CONDUCTING BUSINESS IN DELAWARE**

Things You Should Know

Definitions 3, Del.C., Chs. 100 and 101 and 30 Del. C., Ch. 23

This 'Tax Tip' addresses the licensing and filing requirements with the Division of Revenue for Harness Racing Meet Operators, Harness Race Horse Owners, Trainers and Drivers, Horse Racing and Video Lottery Operators. These businesses, and persons performing selected services at a harness or at a horse racing meet may also have licensing and registration requirements with the Delaware Harness Racing Commission or the Thoroughbred Racing Commission.

Harness Racing Meet Operator

Harness racing meet operator includes every person conducting a harness racing meet within this State and who has been licensed by the Delaware Harness Racing Commission. Harness racing or horse harness racing means any racing of horses in which the horses competing or participating are harnessed to a sulky, carriage or similar vehicle and are not mounted by a jockey.

Gross Receipts

Gross receipts includes the licensee's commissions on pari-mutuel and totalizator pools conducted or made at any track licensed by the Delaware Harness Racing Commission as well as all amounts received for admission, parking, catering, sale of programs, or any other at any harness race meet conducted at such racetrack. **Note: The commissions received on the operation of a video lottery authorized by the Delaware State Lottery are exempt from the fees imposed by this section. Such commissions are subject to tax as a General Service.**

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

Every **harness racing meet operator** must pay a monthly license fee at the rate of 0.75% (0.0075) of the gross receipts (as defined above) received from the operation of a harness racing meet. The fee is due on the 20th day of the month with respect to the gross receipts received for the immediately preceding month. Gross receipts are not reduced by monthly or quarterly exclusions which are typical of other fees based on gross receipts. Harness race meet operators are not required to obtain or renew an annual license with the Division of Revenue. The Harness Racing Commission requires an application fee and a license fee to conduct harness racing in this State.

Tax Rates and Exclusions

.0075

Sample Calculation	Total Gross Receipts	\$73,000
	Tax Rate	x .0075
	Tax Due	\$ 548

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

Due Dates of Returns

20th day of the following month

Harness Race Horse Owners, Drivers and Trainers

Harness race horse owner, includes every person who owns, leases, rents or otherwise has the right to race or enter a harness racing meet in this State.

Harness racing driver includes every person who drives a harness sulky, carriage or other vehicle which is pulled by a horse which is not mounted by a jockey.

Trainer includes every person who trains, exercises or otherwise provides services to harness race horse owners at or in connection with a harness racing meet.

Gross Receipts

Gross receipts for harness race horse owners, trainers and drivers is the aggregate gross receipts paid to such persons as purse money in connection with any harness racing meet conducted within Delaware.

License and Gross Receipts Requirements

Harness race horse owners, trainers and drivers are not required to obtain an annual license from the Division of Revenue. The Delaware Harness Racing Commission issues licenses to participate, officiate or work at a harness racing meet conducted with Delaware.

Harness race horse owners, trainers and drivers are liable for a license fee of 0.4 of 1% (.004) of the aggregate gross receipts paid to such persons as purse money in connection with any harness racing meet conducted within Delaware. The **harness racing meet operator** is responsible for withholding the license fee from pursues paid such persons. The fee is due on the 20th day of the month with respect to the gross receipts received for the immediately proceeding month. Gross receipts are not reduced by monthly or quarterly exclusions which are typical of other fees based on gross receipts. If the harness racing meet operator does not withhold the license fee, harness race owners, trainers and drivers are responsible for filing and remitting such license fees.

Tax Rates and Exclusions

.004

Sample Calculation	Total Gross Receipts	\$50,000
	Tax Rate	x .004
	Tax Due	\$ 200

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

Due Dates of Returns

20th day of the following month

Video Lottery Operators

Harness and horse racing meet operators who are authorized by the Division of State Lottery to conduct a video lottery at a harness or horse racing track are required to be licensed by the Division of Revenue.

License and Gross Receipts Requirements

An occupational professional or personal service provider 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. Additionally, a gross receipts tax is levied at the rate of .3983% (.003983) on the amount of income received from goods sold and services rendered in Delaware. The first \$100,000 of fees received per month (\$300,000 quarterly) are exempt from the gross receipts tax. Gross Receipts should be filed on-line or with a paper form. Both can be accessed from our website at www.revenue.delaware.gov To register with the Division of Revenue and obtain a business license, please complete a Combined Registration Application and mail to the Division of Revenue with the appropriate fee or file-online using OneStop. Both can be accessed from the link above.

Tax Rates and Exclusions

	Tax Rate	Monthly Exclusion
Occupational	.004023	\$100,000
Sample Calculation	Total Gross Receipts	\$173,000
	Less Exclusion	<u>100,000</u>
	Taxable Gross Receipts	\$ 73,000
	Tax Rate	x .003983
	Tax Due	\$ 291

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

Gross Receipts Tax Exemption

Gross receipts (and for purposes of the tax imposed by Chapter 43, Title 30 of the Delaware Code “rent” and “lease rental payments”) from transactions between related entities are not subject to gross receipts tax. For this purpose, entities are “related” only if (i) the same five or fewer natural individuals own, directly, indirectly or beneficially, 80% or more of each entity, or (ii) 100% of each entity is owned by member or members of a single family. See Section 2210(b) of Title 30 of the Delaware Code for further details, including the definition of family member for purposes of this exclusion.

Common Ownership/Direction

A business that operates through more than one branch or legal entity is only entitled to one monthly or quarterly exclusion from gross receipts, if the branches or entities making up the enterprise 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. Harness and horse racing operators are regulated by the Harness Racing Commission and Thoroughbred Racing Commission. Please contact the either of these commissions 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 20653 DuPont Blvd. Suite 2 Georgetown DE 19947 (302) 856-5358

or by e-mail at: rev_busaudit@delaware.gov or 302-577- 8662

File Gross Receipts On Line or Print and Mail an Interactive Gross Receipts Form:

<https://grossreceiptstax.delaware.gov/grtpublic/>

**DELAWARE
HARNESS AND HORSE RACING
LICENSES, GROSS RECEIPTS AND PARI-MUTUEL TAXES**

Type of License Fee or Tax	Harness Racing Meet Operator	Horse Racing
Statutory Reference License Fees Tax Basis Regulatory Agency	3 <u>Del. C.</u> , §10024 \$500 Application Fee + \$250 License Fee Flat Fee Harness Racing Commission	3 <u>Del. C.</u> , §10123 \$3,000 Application Fee + \$2,000 License Fee Flat Fee Thoroughbred Racing Commission
Statutory Reference License Fees Tax Basis Regulatory Agency	30 <u>Del. C.</u> , §2305 (After 01/01/81) 0.75% Commissions on Pari-mutuel and Totalizator pools, admission, parking, catering, sale of programs and any other source at a harness racing meet. Division of Revenue	Not Applicable
PARI-MUTUAL Statutory Reference License Fees Tax Basis Regulatory Agency	30 <u>Del. C.</u> , §10056 .075% to 5.5% Prior to 01/01/1981, tax paid on contributions to pari-mutual and totalizator pools. Tax paid weekly; following Wednesday. Harness Racing Commission	3 <u>Del. C.</u> , §10165 0.75% Commissions on pari-mutual and totalizator pools weekly; following Wednesday. Division of Revenue
VIDEO LOTTERY RECEIPTS Statutory Reference License Fees Tax Basis Regulatory Agency Exemptions	30 <u>Del. C.</u> , §2301(b) \$75 0.4147% Video lottery commissions Division of Revenue None	30 <u>Del. C.</u> , §2301(b) \$75 0.4147% Video lottery commissions Division of Revenue Video lottery commissions are exempt if received during a horse racing meet. 30 <u>Del.C.</u> , 2301(w)