

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

Things You Should Know

Definitions, 30, Del. C., Ch 29

A wholesaler is every person engaged as an owner or agent in the business of selling to or exchanging with another person goods for cash, barter or any consideration for the purpose of resale by the person acquiring the goods sold or exchanged and includes without limitation goods sold or exchanged through outlets, warehouses and distribution depots of persons whose principal place of business is located inside or outside Delaware.

Sales of machinery, supplies or materials which are directly consumed or used by the purchaser in the conduct of a Delaware licensed business activity are considered wholesale sales notwithstanding the fact that such goods are not resold. Sales to the United States or any agency or instrumentality thereof or sales to this State, or any agency or political subdivision thereof are deemed to be sales at wholesale.

"Goods" includes merchandise, wares, metals, wood, liquids, gas, alcoholic beverages, motor vehicles, gems, products, produce, trees, shrubs, plants, flowers, crops, livestock, animals or any tangible personal property whether new or used.

Gross Receipts

Gross receipts include total consideration received by a wholesaler for goods physically delivered within this State to the purchaser or his agent. Consideration for goods sold or 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 Do Not Include:

- Tobacco products tax or motor fuel taxes paid or payable to the State of Delaware
- Gasoline or special fuel taxes paid to the Federal government
- Alcoholic beverages
- Home heating oil
- Returned merchandise or like kind exchanges
- Motor vehicles, trailers and motorcycles titled to the owner
- Unprocessed agricultural products including nursery and floral sold by the owner of the farm or nursery
- Crabs sold by a person who holds a Delaware license to conduct commercial crabbing
- Certain sales to the State of Delaware which are administered by the Department of Administrative Services
- Goods delivered to the U.S. Mail or to a common carrier for delivery to a point outside of Delaware
- Goods picked-up by the purchaser for immediate delivery outside of Delaware. Form 373, Wholesale Exemption Certificate, required and available at Division of Revenue offices

Gross Receipts May Not be Reduced By:

Cost of property sold, Cost of material and/or labor, Interest, discount or delivery costs, State or Federal Taxes

License and Gross Receipts Requirements

A wholesaler is required to obtain a business license -- \$75 for each location -- which must be renewed annually on or before December 31st of each year. Additionally, every wholesaler must pay a gross receipts tax at the rate of .3983% (.003983) on taxable gross receipts received from selling tangible personal property. The first \$100,000 (\$300,000 quarterly) of gross receipts received per month is exempt from the gross receipts tax. Gross Receipt taxes 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, complete a Combined Registration Application, available on the Internet and mail to the Division of Revenue with the appropriate fee or you can file on-line at our OneStop site using the link above.

Tax Rates and Exclusions

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

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 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 convenience stores at which gasoline is also sold should aggregate the receipts from all goods sold 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 product sold, retailers, wholesalers and manufacturers may sell or manufacture multiple product lines 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 manufacturing and 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 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 an Interactive Gross Receipts Coupon:

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