

DIVISION OF REVENUE

TECHNICAL INFORMATION MEMORANDUM 2007-01

DATE: July 3, 2007

SUBJECT: Legislation passed during the First Session of the 144th Delaware General Assembly.

During the First Session of Delaware's 144th General Assembly, ending June 30, 2007, seven (7) bills were enacted of interest to or having an impact on Delaware taxpayers and the state's Division of Revenue. The subjects of these bills range from an increase in cigarette tax rates (HB249 w/HA1) to the creation of a tax-credit framework so that Delaware can attract more high paying, competitive jobs in the next decade (SB149 w/SA1).

Legislation significant to Delaware's Division of Revenue has been summarized below and is divided into two categories for retrieval ease:

- (I) Legislation directly affecting tax procedures and filing requirements for businesses and individuals in the upcoming year; and
- (II) Legislation implementing broad policy changes or altering Division of Revenue processes with little to no affect on tax-filing requirements for the upcoming year.

Bills in their entirety may be viewed online through the Delaware General Assembly website: <http://www.legis.state.de.us>.

This memorandum is intended for general notification and explanation of recently enacted Delaware laws and should not be relied upon exclusively in any pending or future audit or judicial review of an individual taxpayer or transaction. Taxpayers are advised to consult the particular bill, the Delaware Code, or Delaware regulations in all matters conflicting with any part of this memorandum.

Taxpayers with general questions about the application of Delaware law and procedures may call the Division of Revenue Help Line at (302) 577-8200, or visit the Division's website at [<http://www.revenue.delaware.gov>] where information about tax topics and links to phone numbers for other information may be found.

(I) Legislation directly affecting tax procedures and filing requirements for businesses and individuals in the upcoming year:

House Bill No. 234 w/HA 1

Signed by Governor on 07/12/07

AN ACT TO AMEND CHAPTER 91, TITLE 7 OF THE DELAWARE CODE PERTAINING TO GROSS RECEIPTS INCLUDED IN THE TAX ASSESSMENT FOR THE HAZARDOUS SUBSTANCE CLEANUP FUND.

This Bill ensures that effective July 1, 2007 the tax surcharge imposed for the Hazardous Substance Cleanup fund is paid only once, regardless of how many times petroleum products are resold.

House Bill No. 245

Signed by Governor on 06/30/07

AN ACT TO AMEND CHAPTER 53, TITLE 30 OF THE DELAWARE CODE RELATING TO THE LEVY, COLLECTION AND USE OF TOBACCO PRODUCT TAX REVENUE.

Effective January 1, 2008 this Act changes the method in which moist snuff is taxed within the State of Delaware.

House Bill No. 249 w/HA 1

Signed by Governor on 06/30/07

AN ACT TO AMEND TITLE 30, CHAPTER 53 OF THE DELAWARE CODE RELATING TO THE LEVY, COLLECTION AND USE OF TOBACCO PRODUCT TAX REVENUE.

This Act increases the tax on cigarettes from 55 cents to \$1.15 per 20-cigarette pack. Section 1 increases the cigarette tax rate. Section 2 makes the cigarette tax effective for possession within the state after midnight July 31, 2007. It also imposes a "floor tax" on inventories of cigarettes and requires that the difference between the new tax and the old tax be paid on stamps purchased on or before midnight July 31, 2007, but not affixed to any cigarettes as of the effective date of this Act.

House Bill No. 253

Signed by Governor on 06/30/07

AN ACT TO AMEND TITLES 21 AND 30 OF THE DELAWARE CODE RELATING TO TAXES AND FEES SUPPORTING THE TRANSPORTATION TRUST FUND.

This Bill increases several revenue sources for the Transportation Trust Fund. The motor vehicle document fee is increased from 2.75% to 3.25%, effective October 1, 2007, and increases again to 3.75% on October 1, 2008. The basic motor vehicle registration fee is raised from \$20 to \$40, effective October 1, 2007, and the related registration fees for other vehicles are also increased. Motor vehicle title fees are raised from \$15 to \$25. Driver's license fees are raised from \$12.50 to \$25, and the fee for identification cards issued by DMV is raised from \$5 to \$20. In addition, permanent driver's licenses will no longer be issued, except for renewals of those now issued, with an accompanying renewal fee increase. The Bill also includes some provisions for transitioning the DMV's computer systems to handle these changes.

Senate Bill No. 149 w/SA 1

Signed by Governor on 06/30/07

AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATING TO TAX CREDITS.

This Act establishes effective July 1, 2007 a framework for Delaware to attract high paying, competitive jobs into the next decade. To qualify, a new employer must add at least 50 net new jobs which each must have an annual

salary of at least \$100,000. Up to 40% of the withholding taxes collected and paid on behalf of these new, qualified employees during the taxable year will be rebated. Higher refund amounts will be granted for qualifying employees employed within targeted growth zones, incorporated municipalities, and former brownfields. Qualifying firms would be eligible for credits over a ten year period and would need to apply annually for the rebate.

(II) Legislation implementing broad policy changes or altering Division of Revenue processes with little to no affect on tax-filing requirements for the upcoming year:

Senate Bill No. 157 w/SA1, SA2

Signed by Governor on 07/24/07

AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATING TO STATE TAXES AND TOBACCO PRODUCTS.

This bill removes cigars and pipe tobacco from requirements regarding the collection of information for these products because of the difficulty in collecting such information during internet delivery sales. The Bill also provides that any tobacco products sold shall have any and all taxes collected by each person accepting the purchase order, whether the internet sale is otherwise covered for disclosure purposes or not.

Senate Bill No. 169

Signed by Governor on 07/24/07

AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATED TO THE NEIGHBORHOOD ASSISTANCE TAX CREDIT.

This bill transfers the administration of the Neighborhood Assistance Tax Credit program to the Delaware State Housing Authority. This bill also streamlines the program by consolidating the program administration within the State Housing Authority. This bill increases the universe of donation recipients eligible to participate in the program by including all non-profit agencies performing neighborhood assistance in impoverished areas or for low and moderate income people. This bill also increases the universe of donor organizations by including all entities paying state income taxes under Chapter 11 and Chapter 19.

Patrick Carter
Director of Revenue