**TAX TIPS FOR**
**HEALTH CARE FACILITIES**
**CONDUCTING BUSINESS IN DELAWARE**

**Things You Should Know**

**Definitions,** *30 Del. C., Ch 23*
A Division of Revenue business license is required by every person engaging in or carrying on any trade, business, profession or occupation which involves the provision of services in this State to the general public for which a fee or other consideration is received. Services performed for divisions or sections within an organization, such as an accounting or legal department are not subject to licensing. Services performed for third parties, regardless of the relationship between the respective entities are subject to licensing. **Please note:** If you sell goods in addition to providing services, the sale of such goods is subject to other licensing requirements which can be found by returning to the Office of Business Taxes Homepage at the end of this Tax Tip. Section 2301(p), 30 Del.C., exempts from the licensing requirement and states in part "Nonprofit organizations exempted from federal income taxation under §501 of the Internal Revenue Code of 1986 [26 U.S.C. §501] …". Only those health care facilities that are owned and operated for a profit are required to obtain a business license. A short list of business and occupational licensees includes by way of example, and not by limitation:

- Doctor/Physician Office
- Hospitals
- Laboratories
- Nursing/Convalescent Homes
- Occupational Therapy Office
- Private Medical Care
- Stand Alone Emergency Centers

**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. Unless specifically exempted, every type of service provided is subject to an annual license fee and an additional fee based on the gross receipts received from such services. This additional license fee is called a "gross receipts tax".

**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 health care facility 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 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** |
|---|---|---|---|
| Hospital | | .003983 | $100,000 |
| Sample Calculation | Total Gross Receipts | | $171,000 |
| | Less Exclusion | | 100,000 |
| | Taxable Gross Receipts | | $ 71,000 |
| | Tax Rate | | X .003983 |
| | Tax Due | | $ 283 |

(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 22120(b) of Title 30 of the Delaware Code for further details, including the definition of "family" for the 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 business entity who operates multiple health care facilities should aggregate the receipts from all services provided at all locations and subtract only one monthly exclusion. 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

| ***Wilmington*** | ***Dover*** | ***Georgetown*** |
|---|---|---|
| Division of Revenue<br>Carvel State Office Building<br>820 North French Street<br>Wilmington DE 19801<br><br>(302) 577-8205 | Division of Revenue<br>Thomas Collins Building<br>540 South DuPont Highway<br>Suite 2<br>Dover DE 19901<br><br>(302) 744-1085 | Division of Revenue<br>20653 Dupont Blvd Suite 2<br>Georgetown DE 19947<br><br>(302) 856-5358 |

or by e-mail at: matt.fay@state.de.us (302) 577-8450

File Gross Receipts On-line:
www.grossreceiptsfiling.delaware.gov

or

Print an Interactive Gross Receipts Coupon:
http://www.revenue.delaware.gov/services/Business_Tax/Forms_New.shtml#gr