



Rehoboth Beach-Dewey Beach Chamber of Commerce & Visitors Center

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FROM CHAMBER LEGISLATIVE REP., MARK LALLY – ISSUES FACING LEGISLATORS IN THE SECOND HALF OF THE 148TH GENERAL ASSEMBLY:

HB 235, AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATING TO BUSINESS TAX COMPUTATIONS AND ADMINISTRATION - URL: <http://legis.delaware.gov/LIS/LIS148.NSF/vwLegislation/HB+235>

Bill would reform the way that the state apportions income tax for corporations to remove elements of the code that are disincentives for new investment and job creation. Under current law, companies that create jobs or invest in property in the state must pay more corporate income tax. It doesn't change the tax rate, it changes the apportionment formula to remove those disincentives, and calculates taxable income using the revenue generated by a business' activities in the state.

Bill makes several changes to the code to simplify the filing process for small businesses, and gives them added protection from being penalized for filing errors.

Bill will benefit many small businesses throughout the state by reducing and simplifying filings they must submit, protecting them from being penalized due to errors during filing.

HB 235 changes the method of calculating Corporate Income Tax apportionment. Currently, three factors are used to determine what portion of a company's total income is attributed to Delaware for the purposes of assessment- their total payroll in Delaware relative to their payroll in the US, their total property holdings in Delaware relative to their property throughout the US, and their total sales in Delaware relative to their total sales throughout the country. The bill adjusts this calculation so that by 2020, attribution is determined 100% by using the ratio of sales in Delaware. It phases in this change over the next four years, weighting sales at a 50% rate in 2017, a 60% rate in 2018, and a 75% rate in 2019. Companies with headquarters in Delaware would see the shift to 100% take full effect in 2017.

Bill makes some other adjustments targeted to assist small businesses. Currently, businesses must make payments totaling 70% of their estimate total tax for the year by June 1st. This can be difficult for small businesses, because their revenue is frequently more volatile than larger corporations, and their cash flow is often more challenging to manage. The bill allows small companies to file 25% estimates each quarter, smoothing out the payments throughout the course of the year.

Bill also adjusts the threshold for the safe harbor from penalties for incorrect estimates. The safe harbor provision for small businesses was enacted in 1984, but the qualification threshold has not been adjusted, so many small businesses no longer qualify. The bill adjusts the qualification threshold and indexes it against inflation, so small companies will remain eligible as originally intended.

The threshold for qualification to report gross receipts data quarterly instead of monthly is also adjusted, meaning smaller businesses will not have to go through the reporting process as often as they currently do. Finally, the bill clarifies that, for the purposes of income attribution, only US based assets are part of the calculation. This has been done in practice since a court ruling mandated it several years ago, but was never codified. Bill has been assigned to the House Revenue & Finance Committee.

Delaware Expenditure Review Committee - Established under [Executive Order 52](#), the 12-member bipartisan Delaware Expenditure Review Committee has been meeting over the last several months to review state government services to determine if they can be delivered more efficiently, more effectively, or can be performed at less expense to taxpayers. The group, which includes no legislators, is set to deliver its report before the end of the month.

State Employee Healthcare Benefits Funding Gap - This issue was raised last year when a gap developed between the money available to pay for healthcare benefits for state employees and retirees and the actual expense of those services. While some modest tweaks to the system were implemented in 2015, there were concerns that structural imbalances remained. Some lawmakers have been told the benefits funding shortfall is now estimated at \$80 million.

City of Wilmington Crime & Violence - Acting on a recommendation from the state attorney general, the General Assembly's Joint Finance Committee met last month to appropriate more than \$1.5 million to increase police patrols in Wilmington. That money was contingent on several stipulations, including proof the city was implementing the consultants' recommendations. City officials have not yet done so and the money has not yet been delivered.

For a complete Calendar of Events, visit the Chamber website – www.beach-fun.com. If you have questions, please give Carol a call on the member hotline – 227-6446 or her cell phone at 542-7547.