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New Ventures Alert

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Delaware Corporate Annual Reports, Franchise Tax Due Soon

Every domestic or foreign corporation must file an annual report with the Delaware Secretary of State ***on or before March 1 of each year***. The easiest way to file this report is via the Delaware Secretary of State website. If it is not filed on or before March 1, the corporation will also owe a penalty of $200 plus 1.5% interest per month on tax and penalty.

How to File and Pay

To start, locate the corporation's Delaware file number, which can be found by entering the corporation's name on the search page.

Next, go to the Annual Report and Tax Instructions page to view instructions and begin the filing process. Click the Pay Taxes/File Annual Report link at the top of the page. Enter the Delaware file number to pull up the annual report that must be filed and the state's calculation of taxes owed based on the number of authorized shares of stock set forth in the corporation's certificate of incorporation.

Note that Delaware has two methods for calculating taxes owed and usually the corporation can significantly reduce the amount by using the alternative tax calculation method, which is not based on the number of authorized shares, but rather on the number of authorized *and issued* shares and gross assets as of the end of the reporting period. The number of issued shares for each class of stock should come from the corporation's records. The gross assets figure should come from the corporation's Form 1120 Schedule L. The How to Calculate Franchise Taxes page provides more information on the two methods for calculating taxes and a calculator that allows users to plug in figures to compare taxes using the two methods.

The minimum franchise tax using the authorized share method is $175 (assuming 5,000 shares) and the minimum using the alternative calculation method is $400. Filers owing $5,000 or more must pay their estimated franchise taxes in quarterly installments, with 40% due June 1, 20% due September 1, 20% due December 1, and the remainder due March 1. In addition to the franchise tax, all corporations pay an annual report fee of $50.

The report also asks for the corporation's phone number, principal place of business address, name and address of one officer, and names and addresses of all directors.

Note: All limited liability companies and limited partnerships also owe an annual tax of $300. There is no requirement to file an annual report. The tax owed for the prior year is due on or before June 1 of each year.

FOR MORE INFORMATION

For assistance or more information, please contact a member of our New Ventures team.