THOMPSON HINE
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New Ventures Alert

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Delaware Corporate Annual Reports and Franchise Taxes 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. Corporations that fail to file by the deadline are subject to a $200 penalty, plus 1.5% interest per month on the tax and penalty.

How to File and Pay

Begin by locating the corporation's Delaware file number, which can be found by searching the corporation's name on the Secretary of State's website.

Next, visit the Annual Report and Tax Instructions page to review the instructions and start the filing process. Click the Pay Taxes/File Annual Report link at the top of the page and enter the Delaware file number. This will pull up the annual report that must be filed, along with the state's calculation of franchise taxes owed based on the number of authorized shares of stock listed in the corporation's current certificate of incorporation.

Note that Delaware offers two methods for calculating franchise taxes. In many cases, corporations can significantly reduce their tax liability amount by using the alternative calculation method, which is based on the number of authorized *and* issued shares and the corporation's gross assets at the end of the reporting period, rather than solely on authorized shares.

The number of issued shares for each class of stock should be obtained from the corporation's records. The gross assets figure should be taken from the corporation's Form 1120, Schedule L, Line 15. Additional details on both calculation methods—and calculator to compare results—are available on the How to Calculate Franchise Taxes page.

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

The annual report also requires the corporation's phone number, principal place of business address, the name and title of one officer, and the names of all directors for the current reporting period. The entity address provided will be used for all required addresses on the report.

Note: All limited liability companies and limited partnerships are subject to an annual tax of $300. While no annual report is required, the tax for the prior year is due on or before June 1 each year.

FOR MORE INFORMATION

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