



City of Philadelphia

City Council
Chief Clerk's Office
402 City Hall
Philadelphia, PA 19107

BILL NO. 110554

Introduced September 8, 2011

**Councilmembers Sanchez, Green, Reynolds Brown, Goode, O'Neill, Miller,
DiCicco, Kenney, Tasco, Kelly, Jones, Krajewski and Blackwell**

**Referred to the
Committee on Finance**

AN ORDINANCE

Amending Chapter 19-2600 of The Philadelphia Code, entitled "Business Privilege Taxes," by providing certain exclusions, modifying certain definitions, and revising certain tax rates, all under certain terms and conditions.

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. Chapter 19-2600 of The Philadelphia Code is amended to read as follows:

CHAPTER 19-2600. BUSINESS PRIVILEGE TAXES.

§19-2601. Definitions.

* * *

Net Income.

(a) "Net income" shall, at the option of the taxpayer, which option shall not be revokable by the taxpayer after it has been exercised as provided for by the collector, be either:

(1) The net gain from the operation of a business, after provision for all allowable costs and expenses actually incurred in the conduct thereof, either paid or accrued in accordance with the accounting system used, without deduction of taxes based on income, *subject to a deduction for the pro rata portion of net income attributable to*

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receipts that are excluded under paragraph (13) of the definition of "receipts" of this Section; or

(2) The taxable income from any business activity as returned to and ascertained by the Federal Government prior to giving effect to the exclusion for dividends received and net operating loss, subject to the following adjustments:

(i) A deduction for dividends, interest and royalty income and other receipts excluded from the definition of receipts under paragraphs (5) and (7) of that definition, but only to the extent that such dividends, interest, royalty and other receipts are included in taxable income as returned to and ascertained by the Federal Government as heretofore defined.

(ii) A deduction for net income attributable to receipts that are excluded under paragraph (6) or (9) of the definition of "receipts" of this Section.

(iii) A deduction for income received from all obligations of the United States, including stocks, bonds and Treasury notes and other obligations of the United States.

(iv) An increase for interest expense attributable to these stocks, bonds and Treasury notes and other obligations of the United States or any of its political subdivisions which is exempt from taxation of income under the laws of the United States or of the Commonwealth. The increase shall not exceed the deduction claimed in subparagraph (iii).

(v) A deduction for net income of persons registered under the Pennsylvania Securities Act of 1972 other than the net income attributable to commissions and similar charges on account of transactions effected for persons residing or having their principal place of business within a city of the first class; *or*

(3) *The taxable income from any business activity as returned to and ascertained by the Federal Government prior to giving effect to the exclusion for dividends received and net operating loss, subject to the following adjustments:*

(i) A deduction for dividends, interest and royalty income and other receipts excluded from the definition of receipts under paragraphs (5) and (7) of that definition, but only to the extent that such dividends, interest, royalty and other receipts are included in taxable income as returned to and ascertained by the Federal Government as heretofore defined.

(ii) A deduction for net income attributable to receipts that are excluded under paragraph (6) or (9) of the definition of "receipts" of this Section.

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(iii) *A deduction for income received from all obligations of the United States, including stocks, bonds and Treasury notes and other obligations of the United States.*

(iv) *An increase for interest expense attributable to these stocks, bonds and Treasury notes and other obligations of the United States or any of its political subdivisions which is exempt from taxation of income under the laws of the United States or of the Commonwealth. The increase shall not exceed the deduction claimed in subparagraph (iii).*

(v) *A deduction for net income of persons registered under the Pennsylvania Securities Act of 1972 other than the net income attributable to commissions and similar charges on account of transactions effected for persons residing or having their principal place of business within a city of the first class.*

(vi) *A deduction for the pro rata portion of net income attributable to receipts that are excluded under paragraph (13) of the definition of "receipts" of this Section.*

* * *

(c) The collector shall establish rules and regulations and methods of apportionment and allocation and evaluation so that only that part of such net income or net operating loss which is properly attributable and allocable to the doing of business in the city of the first class levying the tax shall be taxed hereunder. The collector [may] *shall* make an apportionment and allocation with due regard to the nature of the business concerned *solely* on the basis of [mileage,] the ratio of the taxable receipts of the taxpayer from within the city to the total receipts of the taxpayer[, the ratio of the value of the tangible personal and real property owned or leased and situated in the city levying the tax to the total tangible personal and real property of the taxpayer wherever owned and situated, the ratio of the wages, salaries, commissions and other compensation paid by the taxpayer within the city levying the tax to the total wages, salaries, commissions and other compensation paid by the taxpayer, and any other method or methods of apportionment and allocation other than the foregoing, calculated to effect a fair and proper apportionment and allocation]. The net income of a person which is described as being subject to a tax pursuant to Article VII, VIII, IX or XV of the act of March 4, 1971 (P.L. 6, No. 2), known as the Tax Reform Code of 1971, shall be allocated, and apportioned to a city of the first class in accordance with a fraction of which the numerator shall be "receipts" as defined and limited in this Section, and the denominator shall be receipts regardless of whether received in or apportionable to the city of the first class.

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Receipts. Cash, credits, property of any kind or nature, received from conducting any business or by reason of any sale made, including resales of goods, wares or merchandise taken by a dealer as a trade-in or as part payment for other goods, wares or merchandise or services rendered or commercial or business transactions, without deduction therefrom on account of the cost of property sold, materials used, labor, service or other cost, interest or discount paid or any other expense. For the purpose of determining receipts from the business of insurance, such receipts shall mean those from premiums received from risks within the city of the first class, whether by mutual or stock companies, domestic or foreign, without any deductions therefrom for any cost or expenses whatsoever; except, premiums shall not include return premiums, dividends paid or credited to policyholders, if such dividends are in the nature of an adjustment of the premiums charged, and premiums received for reinsurance. Receipts from a person engaged in the business of insurance shall also include receipts from rental real estate situated in cities of the first class, but shall not include interest, dividend and capital gain receipts. Nothing in this definition shall preclude the taxation of other nonpremium business receipts of persons engaged in the business of insurance. Receipts of any business shall exclude:

* * *

(13) Beginning with the tax year 2014, the first \$50,000 in receipts received by any person or business subject to the business privilege tax under this Chapter; for tax year 2015, the first \$75,000 in receipts received by any person or business subject to the business privilege tax under this Chapter; for tax year 2016 and thereafter, the first \$100,000 in receipts received by any person or business subject to the business privilege tax under this Chapter.

* * *

§19-2604. Tax Rates, Credits, and Alternative Tax Computation.

(1) Every business shall pay an annual tax on each dollar of annual receipts at the millage rate shown in the second column of the following chart (“Receipts rate in mills”), and an annual tax on net income at the percentage rate shown in the third column (“Net income rate %”), except that a regulated industry shall only pay an annual tax on each dollar of annual receipts at the millage rate shown in the second column, and in an amount not to exceed the percentage of net income shown in the third column:

Tax year (s)	Receipts rate in mills	Net income rate %
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2008 through 2013	1.415 mills	6.45%
2014	[1.325 mills] <i>1.415 mills</i>	[6.40%] <i>6.43%</i>
2015	[1.25 mills] <i>1.415 mills</i>	[6.35%] <i>6.41%</i>
2016	[1.1 mills] <i>1.415 mills</i>	[6.30%] <i>6.39%</i>
2017	[1.0 mills] <i>1.415 mills</i>	[6.25%] <i>6.35%</i>
2018	[0.85 mills] <i>1.415 mills</i>	[6.20%] <i>6.30%</i>
2019	[0.75 mills] <i>1.415 mills</i>	[6.15%] <i>6.25%</i>
2020	[0.50 mills] <i>1.415 mills</i>	[6.10%] <i>6.20%</i>
2021	[0.25 mills] <i>1.415 mills</i>	[6.05%] <i>6.15%</i>
2022 [and thereafter]	[0.0 mills] <i>1.415 mills</i>	[6.00%] <i>6.10%</i>
<i>2023 and thereafter</i>	<i>1.415 mills</i>	<i>6.00%</i>

* * *

Explanation:

Italics indicate new matter added.

[brackets] indicates matter deleted

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