



PHILADELPHIA: SMART CITY. SMART CHOICE.

Reducing Taxes to Make Philadelphia More Competitive

SMART TAX CHANGES

- More than 30,000 of the 90,000+ current filers will have \$0 business income and receipts or net profits tax liability in Philadelphia
- The business tax burden on businesses with \$100,000 or less per year in revenues will be reduced by nearly 50% in 2014 and completely eliminated in 2016
- Every entrepreneur or new business will save \$300 in start-up costs by eliminating the commercial activity license fee starting in 2014
- \$3,000 tax credit available for each qualifying new job created through 2013
- \$4,000 tax credit for certified sustainable businesses

Mayor Michael Nutter and City Council are implementing smart changes to Philadelphia's business tax structure which will attract and retain entrepreneurs and businesses. These changes will:

- Eliminate business taxes and fees for new businesses that create jobs in Philadelphia
- Establish broad tax reduction for all businesses operating in the city
- Implement a new structure for computing certain business taxes based only on Philadelphia revenues

For new businesses and entrepreneurs:

- Full exemption from the City's business income and receipts tax (formerly known as the business privilege tax) for the first two years of operations, if a minimum number of new jobs are created.
- All fees waived for qualifying new businesses for a variety of licenses and registrations, including the commercial activity license (formerly known as the business privilege license) .

For all businesses:

- Commercial activity license fee eliminated starting in 2014.
- Phased-in exemption of the first \$100,000 in gross receipts and a proportionate share of net income from the business income and receipts tax starting in 2014 at \$50,000 and fully implemented by 2016, providing substantial tax relief to all businesses.
- Net income portion of the tax moves from being based on the amount of sales, property and payroll a company has in the city to a computation only on Philadelphia-based sales. This reform, known as single sales factor apportionment, lowers the tax burden on Philadelphia-based businesses across all industry sectors, including manufacturing, wholesaling and professional services. Single sales factor apportionment will be implemented as early as 2013 and no later than 2015.

"The new Philadelphia business tax legislation will help level the economic playing field for businesses in our city. It will help entice businesses to locate here, help small businesses prosper and it sends the right message to current and potential employers that Philadelphia is open for business."

Rob Wonderling,
President & CEO
Greater Philadelphia Chamber of Commerce