



City of Philadelphia

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

BILL NO. 020144

Introduced March 7, 2002

**Councilmembers Blackwell, O'Neill, Mariano, Miller, Clarke, Krajewski,
Reynolds Brown, Rizzo, Goode and Longstreth**

**Referred to the
Committee of the Whole**

AN ORDINANCE

Amending Chapter 19-1500 of The Philadelphia Code, entitled "Wage and Net Profits Tax," by decreasing the rates of the tax and by making technical amendments, all under certain terms and conditions.

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. Section 19-1502 of The Philadelphia Code, entitled "Imposition of Tax," which is a section of Chapter 19-1500 of the Code, entitled "Wage and Net Profits Tax," is hereby repealed in its entirety, and a new Section 19-1502 is added to the Code as follows:

§19-1502. *Imposition of Tax.*

(1) *Tax On Salaries, Wages, Commissions And Other Compensation.*

(a) *Residents. An annual tax on salaries, wages, commissions and other compensation earned by residents of Philadelphia is imposed for general revenue purposes for the following periods at the following rates:*

<i>January 1, 1950 through December 31, 1956</i>	<i>1.25%</i>
<i>January 1, 1957 through December 31, 1960</i>	<i>1.50%</i>
<i>January 1, 1961 through December 31, 1965</i>	<i>1.625%</i>
<i>January 1, 1966 through June 30, 1969</i>	<i>2.00%</i>
<i>July 1, 1969 through June 30, 1971</i>	<i>3.00%</i>
<i>July 1, 1971 through June 30, 1976</i>	<i>3.3125%</i>
<i>July 1, 1976 through June 30, 1983</i>	<i>4.3125%</i>
<i>July 1, 1983 through June 30, 1991</i>	<i>4.96%</i>

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<i>July 1, 1991 through December 31, 1995</i>	<i>3.46%</i>
<i>January 1, 1996 through June 30, 1996</i>	<i>3.36%</i>
<i>July 1, 1996 through June 30, 1997</i>	<i>3.34%</i>
<i>July 1, 1997 through June 30, 1998</i>	<i>3.29%</i>
<i>July 1, 1998 through June 30, 1999</i>	<i>3.1869%</i>
<i>July 1, 1999 through June 30, 2000</i>	<i>3.1135%</i>
<i>July 1, 2000 through June 30, 2001</i>	<i>3.0635%</i>
<i>July 1, 2001 through June 30, 2002</i>	<i>3.0385%</i>
<i>July 1, 2002 through June 30, 2003</i>	<i>3.00%</i>
<i>July 1, 2003 through June 30, 2008</i>	<i>The rate provided under §19-1502(3)</i>
<i>July 1, 2008 and thereafter</i>	<i>The rate at which the tax was imposed on June 30, 2008</i>

(b) *Non-Residents. An annual tax on salaries, wages, commissions and other compensation earned by non-residents of Philadelphia for work done or services performed or rendered in Philadelphia is imposed for general revenue purposes for the following periods at the following rates:*

<i>January 1, 1950 through December 31, 1956</i>	<i>1.25%</i>
<i>January 1, 1957 through December 31, 1960</i>	<i>1.50%</i>
<i>January 1, 1961 through December 31, 1965</i>	<i>1.625%</i>
<i>January 1, 1966 through June 30, 1969</i>	<i>2.00%</i>
<i>July 1, 1969 through June 30, 1971</i>	<i>3.00%</i>
<i>July 1, 1971 through June 30, 1976</i>	<i>3.3125%</i>
<i>July 1, 1976 through December 31, 1995</i>	<i>4.3125%</i>
<i>January 1, 1996 through June 30, 1996</i>	<i>4.2256%</i>
<i>July 1, 1996 through June 30, 1997</i>	<i>4.2082%</i>
<i>July 1, 1997 through June 30, 1998</i>	<i>4.1647%</i>
<i>July 1, 1998 through June 30, 1999</i>	<i>4.0750%</i>
<i>July 1, 1999 through June 30, 2000</i>	<i>4.0112%</i>
<i>July 1, 2000 through June 30, 2001</i>	<i>3.9672%</i>
<i>July 1, 2001 through June 30, 2002</i>	<i>3.9462%</i>
<i>July 1, 2002 through June 30, 2003</i>	<i>3.9127%</i>
<i>July 1, 2003 through June 30, 2008</i>	<i>The rate provided under §19-1502(3)</i>
<i>July 1, 2008 and thereafter</i>	<i>The rate at which the tax was imposed on June 30, 2008</i>

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(c) *The tax imposed under §19-1502(1) (a) and (b) shall relate to and be imposed upon salaries, wages, commissions, and other compensation paid by an employer or on his behalf to any person who is employed by or renders services to him.*

(2) *Tax On Net Profits Earned In Businesses, Professions Or Other Activities.*

(a) *Residents. An annual tax on the net profits earned in businesses, professions or other activities conducted by residents of Philadelphia is imposed for general revenue purposes for the following periods at the following rates:*

<i>January 1, 1949 through December 31, 1955</i>	<i>1.25%</i>
<i>January 1, 1956 through December 31, 1959</i>	<i>1.50%</i>
<i>January 1, 1960 through December 31, 1964</i>	<i>1.625%</i>
<i>January 1, 1965 through December 31, 1968</i>	<i>2.00%</i>
<i>January 1, 1969 through December 30, 1970</i>	<i>3.00%</i>
<i>January 1, 1971 through December 31, 1975</i>	<i>3.3125%</i>
<i>January 1, 1976 through December 31, 1982</i>	<i>4.3125%</i>
<i>January 1, 1983 through June 30, 1991</i>	<i>4.96%</i>
<i>July 1, 1991 through December 31, 1995</i>	<i>3.46%</i>
<i>January 1, 1996 through December 31, 1996</i>	<i>3.34%</i>
<i>January 1, 1997 through December 31, 1997</i>	<i>3.29%</i>
<i>January 1, 1998 through December 31, 1998</i>	<i>3.1869%</i>
<i>January 1, 1999 through December 31, 1999</i>	<i>3.1135%</i>
<i>January 1, 2000 through December 31, 2000</i>	<i>3.0635%</i>
<i>January 1, 2001 through December 31, 2001</i>	<i>3.0385%</i>
<i>January 1, 2002 through December 31, 2002</i>	<i>3.00%</i>
<i>January 1, 2003 through December 31, 2007</i>	<i>The rate provided under §19-1502(3)</i>
<i>On and after January 1, 2008</i>	<i>The rate at which the tax was imposed on December 31, 2007</i>

(b) *An annual tax on the net profits earned in businesses, professions or other activities conducted in Philadelphia by non-residents is imposed for general revenue purposes for the following periods at the following rates:*

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<i>January 1, 1949 through December 31, 1955</i>	<i>1.25%</i>
<i>January 1, 1956 through December 31, 1959</i>	<i>1.50%</i>
<i>January 1, 1960 through December 31, 1964</i>	<i>1.625%</i>
<i>January 1, 1965 through December 31, 1968</i>	<i>2.0%</i>
<i>January 1, 1969 through December 30, 1970</i>	<i>3.0%</i>
<i>January 1, 1971 through December 31, 1975</i>	<i>3.3125%</i>
<i>January 1, 1976 through December 31, 1982</i>	<i>4.3125%</i>
<i>January 1, 1983 through June 30, 1991</i>	<i>4.96%</i>
<i>July 1, 1991 through December 31, 1995</i>	<i>4.3125%</i>
<i>January 1, 1996 through December 31, 1996</i>	<i>4.2082%</i>
<i>January 1, 1997 through December 31, 1997</i>	<i>4.1647%</i>
<i>January 1, 1998 through December 31, 1998</i>	<i>4.0750%</i>
<i>January 1, 1999 through December 31, 1999</i>	<i>4.0112%</i>
<i>January 1, 2000 through December 31, 2000</i>	<i>3.9672%</i>
<i>January 1, 2001 through December 31, 2001</i>	<i>3.9462%</i>
<i>January 1, 2002 through December 31, 2002</i>	<i>3.9127%</i>
<i>January 1, 2003 through December 31, 2007</i>	<i>The rate provided under §19-1502(3)</i>
<i>On and after January 1, 2008</i>	<i>The rate at which the tax was imposed on December 31, 2007</i>

(c) *The tax levied under §19-1502(2)(a) and (b) shall relate to and be imposed on the net profits of any business, profession, or enterprise carried on by any person as owner or proprietor, either individually or in association with some other person or persons.*

(d) *For taxable years beginning on or after January 1, 1998, the tax levied under §19-1502(2)(a) and (b) shall not apply to any net profits earned by a domestic or foreign business trust, or any series thereof, that qualifies as a regulated investment company under Section 851 of the Internal Revenue Code and is registered with the United States Securities and Exchange Commission under the Investment Company Act of 1940, or any related domestic or foreign business trust, or any series thereof, which confines its activities in Philadelphia to the maintenance, administration and management of intangible investments and activities of regulated investment companies.*

(3) *Rate reductions on and after January 1, 2003.*

(a) *Definitions.*

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(.1) *Certification Date.* March 1, 2003 and each March 1 thereafter until and including March 1, 2007.

(.2) *Prior Calendar Year.* The calendar year that ends December 31 immediately prior to a Certification Date.

(.3) *Base Calendar Year.* The calendar year that immediately precedes the Prior Calendar Year.

(.4) *Current Fiscal Year.* The fiscal year of the City in which a Certification Date occurs.

(.5) *Prior Fiscal Year.* The fiscal year of the City immediately preceding the Current Fiscal Year.

(.6) *Next Fiscal Year.* The fiscal year of the City immediately following the Current Fiscal Year.

(.7) *Wage and Net Profits Tax Receipts.* The total revenues the City receives from taxes imposed under this Section and from taxes imposed under §19-2803. For any given year, Wage and Net Profits Tax Receipts shall refer to revenues received in that year for that year (commonly referred to as “current year” receipts), and shall not include payments for prior years.

(.8) *Projected Wage and Net Profits Tax Receipts for the Prior Calendar Year.*

For Prior Calendar Year 2002 (to be applied with respect to the Certification performed on March 1, 2003): \$1,286,227,000

For Prior Calendar Year 2003 (to be applied with respect to the Certification performed on March 1, 2004): \$1,319,371,000

For Prior Calendar Year 2004 (to be applied with respect to the Certification performed on March 1, 2005): \$1,362,331,000

For Prior Calendar Year 2005 (to be applied with respect to the Certification performed on March 1, 2006): \$1,406,742,000

For Prior Calendar Year 2006 (to be applied with respect to the Certification performed on March 1, 2007): \$1,452,550,000

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(.9) *Projected Fund Balance Available for Appropriation. As defined for purposes of the City's Five Year Financial Plan.*

(.10) *Five Year Plan Projected Fund Balance Available for Appropriation.*

For Appropriation in Fiscal Year 2004 (to be applied with respect to the Certification performed on March 1, 2003): \$206,628,000

For Appropriation in Fiscal Year 2005 (to be applied with respect to the Certification performed on March 1, 2004): \$132,627,000

For Appropriation in Fiscal Year 2006 (to be applied with respect to the Certification performed on March 1, 2005): \$85,220,000

For Appropriation in Fiscal Year 2007 (to be applied with respect to the Certification performed on March 1, 2006): \$49,216,000

For Appropriation in Fiscal Year 2008 (to be applied with respect to the Certification performed on March 1, 2007): \$4,782,000

(.11) *PICA Wage Tax Rate. The rate at which taxes are imposed under §19-2803 (relating to the annual tax on wages and net profit to provide revenues for the purposes of the Pennsylvania Intergovernmental Cooperation Authority).*

(.12) *Total Resident Tax Rate. The rate at which taxes are imposed on residents under this Section, plus the PICA Wage Tax Rate.*

(.13) *Unanticipated Growth Rate. The quotient, rounded to the nearest ten-thousandth (four decimal places), the numerator of which is calculated by subtracting Projected Wage and Net Profits Tax Receipts for the Prior Calendar Year from Wage and Net Profits Tax Receipts for the Prior Calendar Year, and the denominator of which is Projected Wage and Net Profits Tax Receipts for the Prior Calendar Year; provided, however, that the Unanticipated Growth Rate shall be zero if the foregoing quotient is less than zero.*

(.14) *Wage Tax Reduction Rate. One minus the Unanticipated Growth Rate.*

(b) *Calculation of Amount of Annual Tax Rate Reductions.*

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(.1) *By each Certification Date, the Revenue Commissioner shall certify to the Mayor and to the Council in writing the amount of Wage and Net Profits Tax Receipts for the Prior Calendar Year and for the Base Calendar Year; and the Director of Finance shall certify to the Mayor and the Council in writing the most recent internal City projection for the Fund Balance that will be available for appropriation for the Next Fiscal Year, and the rates of wage and net profits tax on residents and non-residents calculated according to this Section, based on the foregoing certifications.*

(.2) *If the Wage and Net Profits Tax Receipts certified for the Prior Calendar Year are at least 3.50% greater than Wage and Net Profits Tax Receipts certified for the Base Calendar Year, and if the certified projection for the Fund Balance that will be available for appropriation for the Next Fiscal Year is not less than the Five Year Plan Projected Fund Balance Available for Appropriation for the Next Fiscal Year, then:*

(A) *The rate for the tax imposed on residents under §§19-1502(1)(a) and 19-1502(2)(a) shall be calculated by subtracting the PICA Wage Tax Rate from the product of the Total Resident Tax Rate (as most recently established prior to the Certification Date) multiplied by the Wage Tax Reduction Rate, rounded to the nearest hundredth (two decimal places); otherwise, the rate for the tax imposed on residents under §§19-1502(1)(a) and 19-1502(2)(a) shall be the rate imposed for the immediately preceding year.*

(B) *The rate for the tax imposed on non-residents under §§19-1502(1)(b) and 19-1502(2)(b) shall equal the product of the rate at which taxes are imposed on non-residents under § 19-1502(1)(b) (as most recently established prior to the Certification Date) multiplied by the Wage Tax Reduction Rate, rounded to the nearest hundredth (two decimal places); otherwise, the rate for the tax imposed on non-residents under §§19-1502(1)(b) and 19-1502(2)(b) shall be the rate imposed for the immediately preceding year.*

(.3) *The rates for the tax imposed under §§19-1502(1)(a) and 19-1502(1)(b), set forth, respectively, in the preceding subsections (.2)(A) and (.2)(B), shall be effective on the July 1 that immediately follows the Certification Date, and the rates for the tax imposed under §§19-1502(2)(a) and 19-1502(2)(b), set forth, respectively, in the preceding subsections (.2)(A) and (.2)(B), shall be effective on the January 1 that immediately precedes the Certification Date.*

(c) *The Revenue Department shall take all appropriate steps to provide public notice as soon as practicable after the certifications under §19-1502(3)(b)(.1) of its and the Director of Finance's most recent certifications under §19-*

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1502(3)(b)(.1) and an explanation as to the effect of such certifications on the rates of the wage and net profits tax on residents and non-residents.

SECTION 2. The repeal and reenactment of Section 19-1502 of The Philadelphia Code effected by this Ordinance is not intended to change any rates of taxation or any other matter with respect to any tax period other than on or after July 1, 2002 (with respect to taxes on salaries, wages, commission and other compensation) and on or after January 1, 2002 (with respect to taxes on net profits earned in businesses, professions or other activities), but is intended only to restate those rates and other matters in a more easily readable form.

SECTION 3. If the tax rate established by this Ordinance for any year shall be invalidated by a court of competent jurisdiction then, after the time period for all appeals therefrom have expired, the rate for such tax shall be the rate that was applicable for such tax in the immediately preceding year.

Explanation:

Italics indicate new matter added.