



Legislation Text

File #: 160132-A, Version: 2

Amending Title 19 of The Philadelphia Code, entitled "Finance, Taxes and Collections," by adding a new Chapter 19-4100, entitled "New Sustainable Businesses," to reduce the tax burden on new sustainable businesses; all under certain terms and conditions.

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. A new Chapter 19-4100 is added, to read as follows:

CHAPTER 19-4100. NEW SUSTAINABLE BUSINESSES.

§ 19-4101. New Sustainable Businesses.

(1) Definitions. For purposes of this Chapter, the following definitions apply.

(a) "Department" shall mean the Revenue Department.

(b) "Family Member" shall mean a parent, spouse, life partner, child, sibling or like relative-in-law of an owner of a New Business or affiliate.

(c) "New Business" shall include any business that is subject to the business income and receipts tax under Section 19-2603, but that was not subject to the business income and receipts tax under Section 19-2603 during the previous five Tax Years. Any such business shall continue to qualify as a "New Business" for two (2) Tax Years subsequent to the first Tax Year that it became subject to the business income and receipts tax under Section 19-2603.

(i) An existing business that is not subject to business income and receipts tax under Section 19-2603 because it is not currently engaged in business within the City of Philadelphia is eligible to qualify as a New Business upon engaging in such business if it meets the requirements of the preceding definition.

(ii) The term "New Business" shall not include:

(1) a business affiliated with or sharing substantial common ownership or control with a business that has filed a business income and receipts tax;

(2) a business created through an ownership change of a business that has filed a business income and receipts tax return, including, but not limited to:

(A) a merger, acquisition or reorganization;

(B) the transfer of an existing business to a person who maintains the same or substantially similar business; and

(C) the closing of an existing business and its subsequent reopening as the same or similar business;

(.3) a business formed for the purpose of evading or avoiding payment of taxes or fees that would otherwise be due but for the provisions of this Section 19-4100;

(.4) a business, the primary business activity of which is holding, selling, leasing, transferring, managing or developing real estate.

(d) "Sustainable New Business" shall mean a New Business under the preceding definition which is certified as a Sustainable Business by the Mayor's Office of Sustainability pursuant to Chapter 19-2600.

(2) Notwithstanding any provision to the contrary, but subject to the conditions set forth in subsection (3), the business income and receipts tax under Section 19-2603 shall be imposed upon any New Sustainable Business at the rate of zero (0) percent during the first three (3) years that such business qualifies as a New Sustainable Business.

(3) In addition to any waivers or benefits for which a New Sustainable Business qualifies pursuant to this Section, such business shall be additionally entitled to any waivers, benefits, and credits set forth in Sections 19-2604 and 19-3800, subject to the terms and conditions of each respective Section.

(4) Conditions for Tax Relief.

(a) Employment Requirement. As a condition of imposing the business and income receipts tax at a rate of zero (0) percent upon any New Sustainable Business, such business must, as of the 12-month anniversary of becoming subject to the business income and receipts tax and continuously thereafter through the 18-month anniversary of becoming subject to such tax, have at least two (2) full-time employees who are not family members and who work in the City at least sixty percent of the time.

(b) Opportunity to Cure. If it is determined that, after a Sustainable New Business hires the required number of qualifying employees, the number of qualifying employees subsequently drops below the required minimum, the business shall cease to be eligible for tax relief under subsection (2), and shall be liable retroactively for all business income and receipts taxes as if it had never been a Sustainable New Business, provided that, if the owner demonstrates that the shortfall was temporary and has been or will be cured within 30 days of the shortfall's first occurrence, the Department shall continue to treat the business as a Sustainable New Business if all other conditions for qualifying as a New Sustainable Business have been met.

(c) New Sustainable Business Waiver Application. In order to claim any of the waivers or benefits set forth in subsection (2), a New Sustainable Business must file with the Department a New Sustainable Business Waiver Application, in such form as the Department shall determine, setting forth the New Sustainable Business's commitment to meeting the employment and other requirements of this Chapter and such other information as the Department shall require.

(5) If the Department finds that a taxpayer claiming the status of a New Sustainable Business was not entitled to that status, the taxpayer shall be liable for any unpaid taxes, fees and charges that would otherwise have been due, and shall be subject to the provisions of Section 19-509 ("Interest, Penalties and Costs"), Section 9-102 ("Licenses and Permits"), and all other provisions applicable to the nonpayment of taxes, fees and charges.

(a) A business that otherwise qualifies as a New Sustainable Business does not lose its status as such if, prior to the end of its third anniversary of becoming subject to business income and receipts taxes, the business ceases to exist.

(6) At the end of its third anniversary of becoming subject to business income and receipts taxes, a New Sustainable Business shall cease to be a New Sustainable Business.

(7) Nothing in this Chapter shall affect requirements in the Code that certain tax returns or other financial information be filed.

(8) Up to the following number of businesses shall be certified as New Sustainable Businesses with respect to any one tax year:

(a) Tax Years 2017 and 2018: 50 businesses

(b) Tax Years 2019 through 2022: 75 businesses.

(9) The Department is authorized to promulgate regulations implementing the provisions of this Chapter, including, but not limited to, regulations requiring documentation that must be submitted by a business claiming "New Sustainable Business" status, and regulations specifying the procedure to follow when the years of operation of a New Sustainable Business do not coincide with the Tax Year.

Explanation:

Italics indicate new matter added.