

Legislation Text

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Amending Chapter 19-1500 of The Philadelphia Code, entitled "Wage and Net Profits Tax," by decreasing in stages the rates of the tax imposed upon certain low income persons, and providing for refunds of excess taxes paid, all under certain terms and conditions.

*THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:*

SECTION 1. Chapter 19-1500 of The Philadelphia Code, entitled "Wage and Net Profits Tax," is hereby amended to read as follows:

CHAPTER 19-1500. WAGE AND NET PROFITS TAX.

§19-1501. Definitions.

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*(4) Low Income Non-Residents. Non-Residents who are entitled to refund and/or forgiveness of taxes pursuant to State Low-Income Tax Provisions, but less than the maximum percentage amount.*

*(5) Low Income Residents. Residents who are entitled to refund and/or forgiveness of taxes pursuant to State Low-Income Tax Provisions, but less than the maximum percentage amount.*

[(4)](6) Net Profits.

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[(5)](7) Non-resident.

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[(6)](8) Person.

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[(7)](9) Resident.

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[(8)](10) Salaries, Wages, Commissions and Other Compensation.

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(11) *State Low-Income Tax Provisions.* The state law provisions for refund and forgiveness of Commonwealth taxes based on poverty income set forth in Section 304 of the Tax Reform Code of 1971 (Act of March 4, 1971, P.L. 6, No. 2), as added by the Act of March 13, 1974 (P.L. 179, No. 32), 72 P.S. § 7304, and as amended from time to time.

(12) *Very Low Income Non-Residents.* Non-Residents who are eligible for the maximum refund and/or forgiveness available under State Low-Income Tax Provisions.

(13) *Very Low Income Residents.* Residents who are eligible for the maximum refund and/or forgiveness available under State Low-Income Tax Provisions.

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*§19-1508. Refunds and Forgiveness For Poverty Income.*

(1) *During the calendar year January 1, 2005 through December 31, 2005, the rate of tax imposed on Very Low Income Residents under §19-1502(1) (a) and (2)(a) shall be one half of one percent (0.5%) less than the rate of tax imposed upon Residents on July 1, 2004. During each calendar year thereafter, the rate of tax imposed on Very Low Income Residents under §19-1502(1)(a) and (2)(a) shall be reduced by one half of one percent (0.5%) from the rate of tax imposed upon Very Low Income Persons under such section during the previous calendar year until the rate of tax drops to one half of one percent (0.5%) or less. During the next succeeding calendar year and thereafter, no tax shall be imposed under §19-1502(1)(a) and (2)(a) on Very Low Income Residents. For example, if the rate of tax imposed upon Residents on July 1, 2004 is 2.8325%, the rate of tax imposed on Very Low Income Residents during the calendar year January 1, 2005 through December 31, 2005 shall be 2.3325%. On January 1 of every year thereafter the rate of tax imposed on Very Low Income Residents would then be as follows:*

- (a) January 1, 2006 -- 1.8325%.*
- (b) January 1, 2007 -- 1.3325%*
- (c) January 1, 2008 -- 0.8325%*
- (d) January 1, 2009 -- 0.3325%*
- (e) January 1, 2010 and thereafter -- no tax*

(2) *The rates of tax imposed on Very Low Income Non-Residents under §19-1502(1)(b) and (2)(b) on January 1, 2005 and thereafter shall be reduced in the same manner, and by the same percentage amounts, as set forth for Very Low Income Residents under §19-1508(1) above; provided, however, that the tax rate from which said reduction is first calculated shall be the rate imposed on Non-Residents on July 1, 2004; provided, further, that the rate of tax imposed under §19-1502(1)(b) and (2)(b) on Very Low Income Non-Residents shall never fall below 0.9127%. For example, if the rate of tax imposed upon Non-Residents on July 1, 2004 is 3.7671%, the rate of tax imposed on Very Low Income Non-Residents during the calendar year January 1, 2005 through December 31, 2005 shall be 3.2671%. On January 1 of every year thereafter the rate of tax imposed on Very Low Income Residents would then be as follows:*

- (a) January 1, 2006 -- 2.7671%.*
- (b) January 1, 2007 -- 2.2671%*
- (c) January 1, 2008 -- 1.7671%*
- (d) January 1, 2009 -- 1.2671%*

(e) January 1, 2010 and thereafter -- 0.9127%

(3) In each calendar year, Low Income Residents shall be entitled to a percentage of the rate reduction available to Very Low Income Residents from the rate imposed upon Residents on July 1 of the previous year. Such percentage shall be equal to the percentage reduction to which Low Income Residents are entitled under State Low-Income Tax Provisions. For example a Low Income Resident may be entitled to a 60% reduction under State Low-Income Tax Provisions every year starting in 2005 running through 2011. In each of those years the rate of tax imposed upon Residents under §19-1502(1)(a) and (2)(a) may decline annually by 0.0375%. Assuming that the rate of tax imposed upon Residents on July 1, 2004 has fallen to 2.8325%, the rate of tax imposed upon Low Income Residents entitled to a 60% reduction under State Low-Income Tax Provisions starting January 1, 2005 under §19-1502(1)(a) and (2)(a) would be calculated as follows:

January 1	Resident rate	Very Low Income Resident Rate	Difference Resident and Very Low Income Resident Rate	Rate for Resident Qualifying for 60% Reduction
2005	2.8325%	2.3325%	0.5000%	2.5325%
2006	2.7950	1.8325	0.9625	2.2175
2007	2.7575	1.3325	1.4250	1.9025
2008	2.7200	0.8325	1.8875	1.5875
2009	2.6825	0.3325	2.3500	1.2725
2010	2.6450	0	2.6450	1.0580
2011	2.6075	0	2.6075	1.0430

(4) In each calendar year, Low Income Non-Residents shall be entitled to a percentage of the rate reduction available to Very Low Income Non-Residents from the rate imposed upon Non-Residents on July 1 of the previous year. Such percentage shall be equal to the percentage reduction to which Low Income Non-Residents are entitled under State Low-Income Tax Provisions. For example a Low Income Non-Resident may be entitled to a 60% reduction under State Low-Income Tax Provisions every year starting in 2005 running through 2011. In each of those years it will be assumed that the rate of tax imposed upon Non-Residents under §19-1502(1)(b) and (2)(b) declines annually by the same percentage reduction by which the Total Resident Tax Rate is reduced as a result of the rate reduction provided by §19-1502(3)(b)(.3). Assuming further that the rate of tax imposed upon Non-Residents on July 1, 2004 has fallen to 3.7671%, the rate of tax imposed under §19-1502(1)(b) and (2)(b) upon Low Income Non-Residents entitled to a 60% reduction under State Low-Income Tax Provisions starting January 1, 2005 would be calculated as follows:

January 1	Non-Resident rate	Very Low Income Non-Resident Rate	Difference	Rate for Non-Resident Qualifying for 60% Reduction
2005	3.7671%	3.2671%	0.5000%	3.4671%

2006	3.7345	2.7671	0.9674	3.1541
2007	3.7019	2.2671	1.4348	2.8410
2008	3.6693	1.7671	1.9022	2.5280
2009	3.6367	1.2671	2.3696	2.2149
2010	3.6041	0.9127	2.6914	1.9893
2011	3.5715	.9127	2.6588	1.9762

*(5) Persons subject to the rates described in subsections (1),(2),(3) and (4) shall be entitled to a refund of any taxes paid in excess of the amounts due under such subsections upon application for same filed with the Department on forms supplied by the Department.*

*(6) The withholding and filing requirements of this Chapter shall continue to apply to, and in connection with, persons entitled to refunds and forgiveness under this Section.*

SECTION 2. The Department of Revenue shall, within thirty (90) days of the date that this Ordinance becomes law, develop procedures and forms whereby the persons entitled to refunds and forgiveness under this Ordinance can obtain the relief specified herein.

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**Explanation:**

[Brackets] indicates matter deleted.  
*Italics* indicate new matter added.