



Legislation Text

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Amending Chapter 19-2600 of The Philadelphia Code, entitled "Business Privilege Taxes," to provide for a tax credit to surety companies that provide construction surety bonds to Disadvantaged Business Enterprises, 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 hereby amended to read as follows:

CHAPTER 19-2600. BUSINESS PRIVILEGE TAXES.

\* \* \*

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

\* \* \*

(10) Credit for Surety Bonds Provided to Disadvantaged Business Enterprises.

(a) Definitions.

(i) Disadvantaged Business Enterprise or "DBE" shall mean any Small Business Enterprise:

(.1) Which is at least 51 percent (51%) owned and controlled by one or more socially and economically disadvantaged individuals; or

(.2) In the case of any publicly owned business, one in which at least 51 percent (51%) of the stock is owned by one or more socially and economically disadvantaged individuals; provided, however, that any such business that has received more than ten million dollars (\$10,000,000.00) in three consecutive years of contract work from the City shall not be considered a DBE.

(ii) Qualified Surety Company shall mean any company licensed by the Commonwealth of Pennsylvania to write construction surety bonds.

(iii) Small Business Enterprise shall mean a business which is independently owned and operated and which is not dominant in its field of operation, as further defined in the Small Business Size Regulations adopted by the U.S. Small Business Administration.

(iv) Socially and Economically Disadvantaged Individuals shall mean those who have either been subjected to racial, sexual or ethnic prejudice because of their identity as a member of a group or to differential treatment because of their disability without regard to their individual qualities, and whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities

*as compared to others in the same business who are not socially disadvantaged.*

*(b) Calculation of Tax Credits.*

*(i) Beginning in tax year 2010 and all years thereafter, a Qualified Surety Company shall receive a tax credit for the issuance of performance or payment surety bonds to a DBE for the undertaking of a construction project. The tax credit shall be in the amount of five per cent (5%) of the total face amount of the issued bonds, up to a maximum of \$50,000 per year.*

*(ii) Tax credits shall be taken against the surety's total business privilege tax liability.*

*(c) Application Process.*

*(1) In order to receive the credit for DBE surety bonds, a Qualified Surety Company must complete and submit to the Revenue Department a DBE Surety Bond Tax Credit Application. The application must provide the name and address of the DBE to which the surety company proposes to issue a bond or bonds.*

*(2) The Revenue Department shall certify whether or not the proposed principal on the bond meets the definition of a DBE. Upon receipt of such certification, the surety company shall issue the bond(s) and then provide a copy of the bond(s) and receipt for premium paid to the Revenue Department. Alternatively, the surety company may issue the bond(s) and then provide the DBE and bonding information with the application to the Revenue Department.*

*(d) Approval. Upon receipt of all the required information, and its certification of an eligible DBE as principal on the bond, the Revenue Department shall approve a tax credit against the surety's total business privilege tax liability for the Tax Year in which the bond(s) were issued, up to the allowed maximum, but not to exceed the taxpayer's total business privilege tax liability for the year.*

*(e) Report. The Revenue Department shall by December 31 of each year submit a written report to the Mayor, with a copy to the President and Chief Clerk of Council, summarizing the City's experience during the prior year with the tax credit provided under this subsection.*

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**Explanation:**

*Italics indicate new matter added.*