

# City of Philadelphia



(Bill No. 020092)

## 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"Imposition of Tax," which is a section of Chapter 19-1500 of the Code, entitled "Wage and Net Profits Tax," is hereby repealed in its entirety, and a new Section 19-1502 is added to the Code as follows: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, 1968</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>
<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, 2007</i>	<i>The rate provided</i>

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	<i>under §19-1502(3)</i>
<i>July 1, 2007 and thereafter</i>	<i>The rate at which the tax was imposed on June 30, 2007</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, 1968</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, 2007</i>	<i>The rate provided under §19-1502(3)</i>
<i>July 1, 2007 and thereafter</i>	<i>The rate at which the tax was imposed on June 30, 2007</i>

(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>
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<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, 2006</i>	<i>The rate provided under §19-1502(3)</i>
<i>On and after January 1, 2007</i>	<i>The rate at which the tax was imposed on December 31, 2006</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:*

<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>
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<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, 2006</i>	<i>The rate provided under §19-1502(3)</i>

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<i>On and after January 1, 2007</i>	<i>The rate at which the tax was imposed on December 31, 2006</i>
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(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.*

(.1) *Certification Date. March 1, 2003 and each March 1 thereafter until and including March 1, 2006.*

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

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

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

(.5) *Wage Tax Receipts. The total revenues the City receives from taxes imposed under this Section and from taxes imposed under §19-2803.*

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

(.1) *By each Certification Date, the Revenue Department shall certify to the Mayor and to the Council in writing the amount of Wage Tax Receipts for the Prior Year and for the Base Year.*

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(.2) *If the Wage Tax Receipts certified for the Prior Year are at least 3.5% greater than Wage Tax Receipts certified for the Base Year, then the "Reduction Amount" shall equal thirteen one-hundredths of one percent (0.13%); otherwise, the "Reduction Amount" shall equal three hundred seventy-five ten-thousandths of one percent (0.0375%).*

(.3) *The rate for the tax imposed on residents under §19-1502(1)(a) shall be reduced by the Reduction Amount, effective on the July 1 that immediately follows the Certification Date, and the rate for the tax imposed on residents under §19-1502(2)(a) shall be reduced by the Reduction Amount, effective on the January 1 that immediately precedes the Certification Date. For example, if the Reduction Amount calculated for the March 1, 2003 Certification Date were 0.0375%, then the applicable tax rates would be reduced from 3.0% to 2.9625%. If the Reduction Amount calculated the next year (for the March 1, 2004 Certification Date) were 0.13%, then the applicable tax rates would be further reduced, from 2.9625% to 2.8325%.*

(.4) *The rate for the tax imposed on non-residents under §19-1502(1)(b) shall be reduced 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), effective on the July 1 that immediately follows the Certification Date, and the rate for the tax imposed on non-residents under §19-1502(2)(b) shall be reduced by the same amount, effective on the January 1 that immediately precedes the Certification Date. Such rates shall be rounded to the nearest ten-thousandth percent. Using the example given in the prior subsection (a Reduction Amount of 0.0375% the first year and 0.13% the second year), non-resident rates would be reduced from 3.9127% to 3.8801% the first year (approximately the same percentage reduction residents will realize when the Total Resident Tax Rate is reduced from 4.5% to 4.4625%), and non-resident rates would be reduced the second year from 3.8801% to 3.7671% (approximately the same percentage reduction residents would realize when the Total Resident Tax Rate was reduced from 4.4625% to 4.3325%).*

(c) *By April 15 of each year, the Revenue Department shall publish a notice in at least two newspapers of general circulation within the City, setting forth its most recent certification under §19-1502(3)(b)(.1) and an explanation as to the effect of such certification 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.

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**Explanation:**

*Italics* indicate new matter added.

CERTIFICATION: This is a true and correct copy of the original Bill, Passed by the City Council on April 18, 2002. The Bill was Signed by the Mayor on April 23, 2002.



Marie B. Hauser  
Chief Clerk of the City Council