

Amending Section 504 of the City of Philadelphia Department of Revenue's Business Privilege Tax Regulations

**Section 504. Philadelphia Re-Entry Employment Program ("PREP") For Ex-offenders Tax Credit**

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B. Calculation of Tax Credits.

1. a. Beginning in tax year 2008 and for all tax years thereafter, a business shall receive a tax credit for each certified Qualifying Employee who has been employed by the business for more than six (6) months.  
  
b. Beginning in tax year 2010 and for all tax years thereafter, a business shall receive a tax credit for a contribution of at least \$10,000 made in a given tax year to a Qualifying Exempt Organization for each Qualifying Full-time Employee employed by the Qualifying Exempt Organization for at least six (6) months, or for a contribution of at least \$5,000 made in a given tax year to a Qualifying Exempt Organization for each Qualifying Part-time Employee employed by the Qualifying Exempt Organization for at least six (6) months. A Qualifying Exempt Organization cannot receive a contribution from more than one business for each qualifying employee employed by the organization. The tax credit provided for in this subparagraph shall also apply to a business that executed a PREP Tax Credit Agreement with the Department during the tax years 2008 and 2009.
2. The tax credit provided for in subsection (504)(B)(1.)[i.](a.) shall be in the amount of \$10,000 multiplied by the percentage of the tax year that the Qualifying Full-time Employee was employed by the business or shall be in the amount of \$5,000 multiplied by the percentage of the tax year that the Qualifying Part-time Employee was employed by the business, subject to the limits in subsection (504)(B)(3). The tax credit provided for in subsection (504)(B)(1.)[ii](b) shall be in the amount of \$7,000 multiplied by the percentage of the tax year that the Qualifying Full-time Employee was employed by the Qualifying Exempt Organization, or shall be in the amount of \$3,500 multiplied by the percentage of the tax year that the Qualifying Part-time Employee was employed by the Qualifying Exempt Organization, subject to the limits in subsection (504)(B)(3). The percentage of a tax year shall be calculated by dividing the total number of full calendar weeks during the tax year that the Qualifying Employee was employed by the business or Qualifying Exempt Organization by fifty-two (52).
3. a. The tax credit provided for in subsections (504)(B)(1.)[i](a) and (504)(B)(1)[ii](b) is available for a total of thirty-six (36) months of employment of a Qualifying Full-time Employee or Qualifying Part-time Employee. The thirty-six (36) month employment period begins on the initial date of hire. In no instance may the thirty-six months of employment occur over a period exceeding six years from the initial date of hire.

b. The maximum amount of tax credits a business may receive for any one Qualifying Full-time Employee under subsection (504)(B)(1.)[i](a) over all tax years is \$30,000. The maximum amount of tax credits a business may receive for any one Qualifying Part-time Employee under subsection (504)(B)(1.)[i](a) over all tax years is \$15,000.

c. The maximum amount of tax credits any business may receive for making a contribution to a Qualified Exempt Organization under subsection (504)(B)(1.)[ii](b) shall not exceed \$21,000 for any one Qualifying Full-time Employee. The maximum amount of tax credits any business may receive for making a contribution to a Qualified Exempt Organization under subsection (504)(B)(1.)[ii](b) shall not exceed \$10,500 for any one Qualifying Part-time Employee.

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C. *Eligibility; PREP Tax Credit Agreement; Program Requirements.*

1. To be eligible to receive tax credits, a business must first execute a PREP Tax Credit Agreement with the Revenue Department that:
  - a. Details all the terms and conditions of the PREP Tax Credit as set forth in this subsection;
  - b. Sets forth the business' agreement to notify the Revenue Department within one week after any Qualifying Employee is no longer employed by the business or by the Qualifying Exempt Organization, which notification shall include an explanation as to why the Qualifying Employee's employment terminated;
  - c. Sets forth the business' commitment, as required under subsection 504(H), (A) to maintain its operations in the City of Philadelphia for five (5) years from the date of the agreement, and the business' agreement to repay any tax credits it receives if it violates such commitment, and (B) to repay those tax credits earned for a contribution to a Qualifying Exempt Organization if that Qualifying Exempt Organization fails to maintain its operations in the City of Philadelphia for five (5) years from the date of the agreement.
2. The Ex-offender employed by the business or by the Qualifying Exempt Organization must be certified by R.I.S.E. as a Qualifying Employee as defined in subsection 504(A)[7](5).

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D. *Certification of Qualifying Employees; Maximum Number Permitted.*

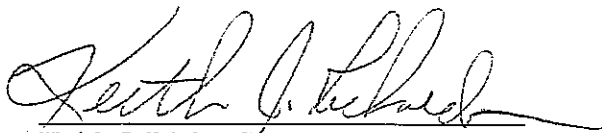
1. After a business has executed a PREP Tax Credit Agreement, it shall make application to R.I.S.E. on a form required by R.I.S.E. for each employee it wishes to have certified as a Qualifying Employee.
2. R.I.S.E. shall certify all persons who meet the definition of Qualifying Employee, except:

- a. The number of certified Qualifying Employees at any one time shall not exceed 1,000, provided that if the City administers a program that provides employers based upon their employment of ex-offenders under terms and conditions which the Revenue Commissioner finds are substantially equivalent to the terms and conditions of the PREP Tax Credit provided under this Section, then the total number of certified Qualifying Employees plus the total number of employees under such grant program shall not exceed 1,000 at any one time; and
- b. R.I.S.E. shall not certify an Ex-offender as a Qualifying Employee if it finds any of the following:
  - .1 the hiring of the Ex-offender is displacing another employee of the business, and that the primary reason for such displacement is to obtain PREP tax credits;
  - .2 the Qualified Exempt Organization to which a contribution has been made under subsection 504(B)(1.)~~ii~~(b) would hire the Ex-offender notwithstanding receipt of the contribution.

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#### H. Penalties.

1. *Business failure to maintain operations.* A business which receives tax credits and fails to substantially maintain existing operations and the operations related to the tax credits in the City of Philadelphia for a period of five (5) years from the date the business executes a PREP Tax Credit Agreement shall be required to refund to the City of Philadelphia the total amount of tax credits granted, unless the Department of Revenue determines that a business' operations were not substantially maintained because of circumstances beyond the business' control, including natural disasters, acts of terrorism, unforeseen industry trends or a loss of a major supplier or market.
2. *Qualifying Exempt Organization failure to maintain operations.* A business which receives tax credits for a contribution to a Qualifying Exempt Organization under subsection (504)(B)(1)~~ii~~(b) shall be required to refund to the City of Philadelphia the total amount of tax credits granted based on that contribution if the Qualifying Exempt Organization fails to substantially maintain existing operations and the operations related to the tax credits in the City of Philadelphia for a period of five (5) years from the date the business executes a PREP Tax Credit Agreement, unless the Department of Revenue determines that the Qualifying Exempt Organization's operations were not substantially maintained because of circumstances beyond the Qualifying Exempt Organization's control, including natural disasters, acts of terrorism, or unforeseen social or economic trends.

  
Keith J. Richardson  
Revenue Commissioner

Date 10/6/11

Legend: [Brackets] denote deletion from original text  
Underline denotes addition to the original text