

Department of Revenue
Analysis of City Council BPT Proposal
Realistic Scenario as Proposed by City Council (5.3 mills on gross receipts)
\$23.2 million loss to the General Fund

Description	Jobs in Phila	Existing Law				Proposed Law				Tax Liability Difference	Tax Liability % Change
		# of Firms	Net Income Total	Gross Receipts Total	2008 Total	# of Firms	Gross Receipts Total	Net Profits Tax Credit	Total		
Wholesale Trade	14,326	2,404	\$10,795,823	\$8,738,739	\$19,534,562	1,795	\$29,112,972	\$1,170,177	\$30,283,149	\$10,748,587	55%
Construction	9,687	6,166	\$14,971,042	\$9,494,063	\$24,465,105	4,422	\$33,482,818	\$1,381,898	\$34,864,717	\$10,399,612	43%
Insurance	15,138	596	\$3,104,306	\$4,635,694	\$7,740,000	404	\$14,553,342	\$286,000	\$14,839,342	\$7,099,342	92%
Hotels and Other Accommodations	7,157	148	\$1,003,958	\$1,359,393	\$2,363,351	117	\$5,028,597	\$228,184	\$5,256,781	\$2,893,430	122%
Food and Beverage Products, Mnftng	5,610	329	\$1,194,771	\$1,522,898	\$2,717,669	274	\$5,202,119	\$126,391	\$5,328,510	\$2,610,841	96%
Business Support Services	19,545	2,925	\$4,475,005	\$2,571,310	\$7,046,315	2,055	\$8,789,213	\$764,889	\$9,554,102	\$2,507,787	36%
All Other Sectors	31,903	2,253	\$4,901,051	\$2,539,051	\$7,440,102	1,467	\$8,969,501	\$882,677	\$9,852,177	\$2,412,075	32%
Restaurants, Bars, and Other Food Services	39,448	4,262	\$5,457,956	\$3,052,188	\$8,510,144	3,287	\$9,492,571	\$1,195,134	\$10,687,704	\$2,177,560	26%
Health and Social Services	133,848	5,117	\$16,302,253	\$5,537,532	\$21,839,785	4,195	\$19,021,293	\$4,347,908	\$23,369,201	\$1,529,416	7%
Telecommunications	5,406	157	\$6,445,144	\$2,520,892	\$8,966,036	113	\$9,365,647	\$875,416	\$10,241,063	\$1,275,027	14%
Sports	1,888	27	\$1,514,936	\$812,950	\$2,327,886	17	\$3,036,783	\$196,458	\$3,233,241	\$905,355	39%
Transportation and Storage	21,366	878	\$1,670,997	\$1,026,767	\$2,697,764	593	\$3,435,170	\$140,400	\$3,575,570	\$877,806	33%
Computer Services	2,120	652	\$1,786,109	\$885,710	\$2,671,819	450	\$3,099,415	\$195,566	\$3,294,982	\$623,163	23%
Architect and Engineering	5,719	828	\$3,517,426	\$1,304,960	\$4,822,386	559	\$4,605,479	\$797,831	\$5,403,310	\$580,924	12%
Educational Services	57,477	695	\$1,221,551	\$507,929	\$1,729,480	495	\$1,764,809	\$198,452	\$1,963,261	\$233,781	14%
Other Information	1,765	400	\$931,206	\$372,996	\$1,304,202	267	\$1,291,987	\$123,573	\$1,415,560	\$111,358	9%
Other Manufacturing	16,930	1,652	\$6,977,945	\$2,917,349	\$9,895,294	1,124	\$9,688,773	\$209,813	\$9,898,586	\$3,292	0%
Advertising	1,759	325	\$1,461,846	\$482,029	\$1,943,875	226	\$1,693,813	\$180,005	\$1,873,818	-\$70,057	-4%
Retail - Beverage	307	101	\$103,569	\$113,300	\$216,869	85	\$138,090	\$3,818	\$141,908	-\$74,961	-35%
Broadcasting (TV and Radio)	1,537	41	\$1,485,318	\$294,052	\$1,779,370	29	\$1,086,008	\$74,898	\$1,160,906	-\$618,464	-35%
Other Professional Services	4,072	1,312	\$2,678,140	\$557,814	\$3,235,954	914	\$1,770,549	\$584,723	\$2,355,272	-\$880,682	-27%
Retail - Food limited Fresh Food	1,804	1,056	\$1,520,059	\$924,103	\$2,444,162	858	\$1,132,740	\$381,269	\$1,514,008	-\$930,154	-38%
Publishing	3,531	206	\$2,650,205	\$492,745	\$3,142,950	147	\$1,765,497	\$50,811	\$1,816,308	-\$1,326,642	-42%
Management and Technical Consulting	6,177	1,991	\$6,943,209	\$1,620,905	\$8,564,114	1,409	\$5,555,682	\$1,650,029	\$7,205,711	-\$1,358,403	-16%
Banking and Related Activities	11,474	364	\$2,130,688	\$809,230	\$2,939,918	220	\$1,471,367	\$102,135	\$1,573,503	-\$1,366,415	-46%
Other Services	9,855	5,047	\$5,760,338	\$1,423,609	\$7,183,947	3,725	\$3,873,466	\$1,671,435	\$5,544,901	-\$1,639,046	-23%
Retail - Food w Fresh Food	10,199	991	\$2,366,128	\$2,498,190	\$4,864,318	877	\$2,658,862	\$448,414	\$3,107,277	-\$1,757,041	-36%
Unclassified	8,024	11,156	\$4,965,149	\$897,035	\$5,862,184	6,537	\$1,782,571	\$2,003,765	\$3,786,335	-\$2,075,849	-35%
Financial Investment Services	4,782	415	\$10,244,886	\$5,421,521	\$15,666,407	300	\$8,649,266	\$3,467,157	\$12,116,423	-\$3,549,984	-23%
Retail - NonFood	33,259	5,492	\$9,518,995	\$10,992,487	\$20,511,482	4,056	\$15,392,901	\$1,431,763	\$16,824,664	-\$3,686,818	-18%
Accounting, Tax and Payroll Services	5,133	795	\$11,217,772	\$1,002,186	\$12,219,958	601	\$3,565,778	\$4,836,322	\$8,402,101	-\$3,817,857	-31%
Chemicals, Pharmaceuticals & Petroleum, Mnftng	2,386	169	\$14,565,330	\$2,419,631	\$16,984,961	129	\$8,473,263	\$127,636	\$8,600,899	-\$8,384,062	-49%
Real Estate (including REITS)	6,854	27,505	\$38,040,109	\$6,598,816	\$44,638,925	12,739	\$18,834,172	\$14,105,555	\$32,939,727	-\$11,699,198	-26%
Legal Services	17,818	2,659	\$65,319,726	\$4,936,891	\$70,256,617	2,131	\$17,608,976	\$25,589,996	\$43,198,972	-\$27,057,645	-39%
Totals	518,304	89,114	\$267,242,946	\$91,284,965	\$358,527,911	56,617	\$265,393,491	\$69,830,498	\$335,223,990	-\$23,303,921	-6%

Jobs in Philadelphia data from 2009 Bureau of Labor Statistics, Quarterly Census of Employment and Wages. Includes private employment only.

For "Tax Liability Difference" positive numbers indicate an increase in tax liability for the industry grouping. Negative numbers indicate a decrease in tax liability for the industry grouping.

Flip page for Department of Revenue assumptions and detailed industry descriptions.

Department of Revenue assumptions:

1. Tax rates for the simulation are for years 2015 and thereafter. This is the last year of the phase-in of the new tax rates per the proposal. For the values under existing law, the tax rates as well as the tax returns are for 2008.
2. NPT credit is added back at 80% rather than 100%. This is the Department of Revenue's assumption of the most likely scenario based on historical experience.
3. Alternate receipts method (schedule E): the cost percentage (as a proportion of receipts) is assumed to be 80%. Using this assumption and the alternate rates in the proposal, all retailers and all manufacturers that do not currently use the alternate method will switch to the alternate method. Wholesalers that do not currently use the alternate method will not switch.
4. \$100,000 exclusion is from regular receipts. If all receipts are accounted for by the alternate method, exclusion is taken from the "alternate receipts".
5. Fresh food credit is applied at maximum (22%) for fresh food retailers and at zero for "limited" fresh food retailers. Limited fresh food retailers are defined as NAICS 44512 + 44529 (specialty and convenience stores). Fresh food retailers are defined as NAICS 44511, 44521 thru 44523 (grocery stores, supermarkets, meat, fish, and produce stores).
6. Regulated industries (schedule J filers) pay no tax since net income portion is reduced to zero and they pay the lesser of net income or gross receipts portions. Regulated industries are primarily banking firms and insurance companies. However, insurance brokers, agencies and HMOs are not regulated industries and do not file schedule J.
7. Financial service industries that file schedule H: the minimum tax calculation for these taxpayers does not change. The maximum tax calculation does change in accordance with the new tax rates on gross receipts as outlined in the proposal. The firms that file schedule H are primarily dealers in various types of securities.
8. All KOZ taxpayers are excluded from simulation.
9. For the revenue neutral scenario, in order to maintain a direct comparison with the original proposal, the alternate method rates have been adjusted to keep the ratio between the regular (gross receipts) and alternative rates consistent. The new alternative receipt rates are: Retail: 1.1 percent; Manufacturing: 2.7 percent; and Wholesale: 3.8 percent.

Description of Industry Groupings

Industry Grouping	Detailed Description	NAICS
Other Manufacturing	All other manufacturing, including textile, apparel, leather, wood, paper, metals, etc.	(313* thru 323*) + (326* thru 339*)
All Other Sectors	Includes agriculture, mining, rental and leasing services, most arts and entertainment and membership associations, among others.	11* thru 22*, 532*, 533*, 55*, 71* except 7112*, 813*, 814*, 9* except 99999
Construction	Construction of buildings, heavy and civil engineering construction, and specialty trade contractors.	23*
Food and Beverage Products, Mnftng	All food, beverage and tobacco product manufacturing	311*, 312*
Chemicals, Pharmaceuticals & Petroleum, Mnftng	Manufacturing of petroleum, coal products, and chemicals including pharmaceuticals	324*, 325*
Wholesale Trade	Durable goods, nondurable goods and electronics	42*
Retail - NonFood	All nonfood retail including autos, furniture, electronics, sporting goods, books	44* + 45* except 445*
Retail - Food w Fresh Food	Supermarkets, grocery stores, meat, fish, seafood, fruit and vegetable markets	44511, 44521 thru 44523
Retail - Food limited Fresh Food	Convenience stores and other specialty food stores	44512 + 44529 + 44599
Retail - Beverage	Beer, wine and liquor stores	4453
Transportation and Storage	All transportation including air, water, truck, transit transportation and all warehousing and storage	48* + 49*
Publishing	All publishing industries except Internet	511*
Other Information	Motion picture and sound recording, Internet publishing and broadcasting, data processing, and other information services	512* + 516* + 518* + 519*
Broadcasting (TV and Radio)	All broadcasting except Internet	515*
Telecommunications	Wire, wireless, satellite, cable and all other telecommunications	517*
Banking and Related Activities	Central bank, credit intermediation and related activities	521* thru 522*
Financial Investment Services	Securities, commodity contracts, investments, funds, trusts and other financial vehicles excluding real estate	523* + 525* except 52593
Insurance (primarily HMOs)	Insurance carriers, agencies and brokerages and HMOs	524*
Real Estate (including REITS)	Real estate including lessors, agents, brokers, real estate investment trusts and other real estate related activities	531* + 52593
Legal Services	Offices of lawyers, title abstract and settlement offices and other legal services	5411*
Accounting, Tax and Payroll Services	Accounting, tax preparation, payroll and other bookkeeping services	5412*
Architect and Engineering	Architectural services including landscape, engineering, drafting, building inspection and other related services	5413*
Other Professional Services	Specialized design services, scientific research and development services and other professional and technical services	5414* + 5417* + 5419*
Computer Services	Computer systems design, computer programming and other related services	5415*
Management and Technical Consulting	Management, marketing, environmental, and other technical consulting	5416*
Advertising	Advertising, PR and related services	5418*
Business Support Services	Includes janitorial and building services, employment agencies, travel agencies, security services, and other miscellaneous business services.	561* + 562*
Educational Services	All educational services including all schools, training, instruction and educational support services	61*
Health and Social Services	Ambulatory health care, hospitals, nursing and residential care, and all social assistance	62*
Sports	All spectator sports	7112*
Hotels and Other Accommodations	Hotels and all other accommodation	721*
Restaurants, Bars, and Other Food Services	Restaurants, bars, and other food services	722*
Other Services	Includes automotive and other repair services, barber shops and beauty salons, laundries and dry cleaners, and other personal services.	811* + 812*
Unclassified	All unclassified, including null and invalid codes	is null (00000) or 73999 or 99999, invalid codes