

City of Philadelphia
Keystone Zone Programs

KOZ (Keystone Opportunity Zone)
KOEZ (Keystone Opportunity Expansion Zone)
KOIZ (Keystone Opportunity Improvement Zone)

TAX CREDIT

For Qualified Business Activity Within
a Philadelphia Keystone Zone

**This Booklet Contains Forms and Instructions to Calculate a “Zone” Tax Credit
for the:**

- 1) 2007 Business Privilege Tax Return
- 2) 2007 Net Profits Tax Return

Visit our web site at www.phila.gov/revenue

PHILADELPHIA KEYSTONE ZONE PROGRAM

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HOW TO BECOME ELIGIBLE TO CLAIM A “ZONE” CREDIT

In order to qualify for a “Zone” tax credit, a person or business shall own or lease real property in the Zone from which a trade, business or profession is actively conducted.

The qualified business must receive initial certification from The Pennsylvania Department of Community and Economic Development (DCED) that the person or business is located, and is actively engaged in a trade, business or profession within the Zone. The qualified business must obtain the annual renewal of certification from the DCED to continue to qualify for the tax credits.

A copy of the certification approval letter and zone credit worksheets must accompany the filing of any Business Privilege and/or Net Profits Tax Return in order for the business to claim a “Zone” credit.

WHERE TO CLAIM A “ZONE” CREDIT

- 1) **Fill out the Business Privilege Tax & Net Profits Tax Forms without regard for any “Zone” activity through the following lines:**
 - A) **2007 Business Privilege Tax return - thru Line 6A**
 - B) **2007 Net Profits Tax return – thru Line 6A**
- 2) **Complete the applicable “Zone” schedules in this booklet.**
- 3) **Enter the “Zone” credit for the following returns as follows:**
 - A) **2007 Business Privilege Tax - on Line 6B**
 - B) **2007 Net Profits Tax - on Line 6B**
- 4) **On the 2007 BPT return, Page 1 or the Summary Page, Line 4 – reduce the mandatory estimated payment for 2008 BPT by the amount of the BPT “Zone” credit for 2007.**
- 5) **Complete the rest of the form then mail the tax returns, certification approval letter and zone credit worksheets to:**

**Attn: Karl Orth
Philadelphia Department of Revenue
Municipal Services Building Room 580
1401 JFK Boulevard
Philadelphia, PA 19102**

WHAT ARE THE “ZONE” PROPERTY, PAYROLL & RECEIPTS FACTORS USED ON SCHEDULE C-1?

- Section A **Property** - The property factor is the ratio of real and tangible personal property located within the Zone to all real and tangible personal property located everywhere. The numerator of the Zone property factor shall include the average value (at original cost) of property owned by the qualified business in the Zone during the income period. Property rented (in the Zone) by the qualified business is to be valued at eight (8) times its net annual rental rate. The denominator of the Zone property factor shall be all owned and rented property everywhere. The value of the denominator shall be determined in accordance with the procedures used to calculate the numerator.
- Section B **Payroll** - The payroll factor is the ratio of compensation paid to employees located or based within the Zone to compensation paid to employees everywhere. The numerator of the Zone payroll factor is the total compensation paid in the Zone and the denominator is the total compensation paid everywhere.
- Section C **Receipts** - The receipts factor is the ratio of sales and/or services attributable to the Zone location to total sales and/or services everywhere. In order to be a Zone receipt (i.e. in the factor's numerator), sales of tangible personal property/inventory must be shipped from the specific Zone location and delivered to customers within the Zone. Services must originate from the Zone location and be performed within the Zone.

CITY ACCOUNT NUMBER

NAME

COMPUTATION OF THE "ZONE" TAX CREDIT FOR THE 2007 BUSINESS PRIVILEGE TAX RETURN

1. Total Average Value of "ZONE" Property (per Page 3, Section A)	.....
2. Total Average Value of Property Everywhere (Schedule C-1, Line 8B of your 2007 BPT Return)	.....
3. "ZONE" Property Factor (Line 1 divided by 2)	<input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<hr/>	
4. "ZONE" Payroll (per Page 3, Section B)	.....
5. Total Payroll (Schedule C-1, Line 9B of your 2007 BPT Return)	.....
6. "ZONE" Payroll Factor (Line 4 divided by 5)	<input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<hr/>	
7. "ZONE" Receipts (per Page 3, Section C)	.....
8. Gross Receipts Everywhere (Schedule C-1, Line 10B of your 2007 BPT Return)	.....
9. "ZONE" Receipts Factor (Line 7 divided by Line 8)	<input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<hr/>	
10. Repeat Line 9	<input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<hr/>	
11. Average of Factors (Add Lines 3, 6, 9, & 10 and divide by the applicable number of factors utilized on the 2007 BPT, Schedule C-1)	<input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<hr/>	
12. Net Income (from Page 2, Line 1 or Sched. B, Line 1 or Sched. A, Line 1 of the 2007 BPT return)	.....
13. "Zone" Apportioned Net Income (Line 11 X Line 12)	.....
14. Loss Carry Forward from Page 2, Line 3 or Sched. B, Line 10 or Sched. A 7, Line 10	.....
15. "Zone" Net Income (Line 13 less Line 14)	.....
16. "Zone" Net Income Tax Credit (Line 15 X .065)	.....
<hr/>	
17. "Zone" Gross Receipts (Line 7 less receipts on alternate computation method)	.....
18. "Zone" Gross Receipts Tax Credit (Line 17 X .001540)	.....
19. "Zone" Gross Receipts Tax Credit per Alternate Method (see Page 5, Line 13)	.....
<hr/>	
20. Total BPT "Zone" Tax Credit (add Lines 16 + 18 + 19)	.....

(Claim this credit on the 2007 BPT Return, Page 1, Line 6B or the Summary Page, Line 3. Note: This credit cannot exceed the amount on the 2007 BPT Page 1, Line 3 or the Summary Page, Line 3).

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NAME

COMPUTATION of the “ZONE” TAX CREDIT on GROSS RECEIPTS

ALTERNATE METHOD OF COMPUTING the “Zone” 2007 BPT TAX CREDIT ON GROSS RECEIPTS.

A. Manufacturers

- | | |
|---|-------------|
| 1. Receipts on which the “Zone” BPT tax credit is to be computed by the Alternate Method. | □□□□□□□□.00 |
| 2. Cost of goods sold attributable to “Zone” receipts | □□□□□□□□.00 |
| 3. “Zone” tax base (Line 1 less Line 2. If Line 2 is greater than Line 1, enter “0”) | □□□□□□□□.00 |
| 4. “Zone” receipts tax credit (Line 3 X .0254). If Line 3 is “0”, enter zero here. | □□□□□□□□.00 |

B. Wholesalers

- | | |
|---|-------------|
| 5. Receipts on which “Zone” BPT tax credit is to be computed by the Alternate Method | □□□□□□□□.00 |
| 6. Cost of goods attributable to “Zone” sales: | |
| (a) Cost of Material | □□□□□□□□.00 |
| (b) Cost of Labor | □□□□□□□□.00 |
| (c) Total of “6a” and “6b” | □□□□□□□□.00 |
| 7. “Zone” tax base (Line 5 less Line 6(a) & 6(b). If Line 6(c) exceeds Line 5, enter “0”) | □□□□□□□□.00 |
| 8. “Zone” receipts tax credit (Line 7 X .0358). If Line 7 is “0”, enter zero here. | □□□□□□□□.00 |

C. Retailers

- | | |
|---|-------------|
| 9. Receipts on which “Zone” BPT tax credit is to be computed by the Alternate Method | □□□□□□□□.00 |
| 10. Cost of goods attributable to “Zone” sales: | |
| (a) Cost of Material | □□□□□□□□.00 |
| (b) Cost of Labor | □□□□□□□□.00 |
| (c) Total of “10a” and “10b” | □□□□□□□□.00 |
| 11. “Zone” tax base (Line 9 less Line 10(a)& 10(b).If Line (10c) exceeds Line 9, enter “0”) | □□□□□□□□.00 |
| 12. “Zone” receipts tax credit (Line 11 X .0085). If line 11 is “0”, enter zero here. | □□□□□□□□.00 |
| 13. Enter the total of Lines 4, 8 and 12 here and on Page 4, Line 19 of this book | □□□□□□□□.00 |

NAME

CITY ACCOUNT NUMBER

□ □ □ □ □ □ □ □

**COMPUTATION of the "ZONE" TAX CREDIT for the
2007 NET PROFITS TAX RETURN**

1. "Zone" Property Factor (from Page 4, Line 3) □.□□□□□□□□

2. "Zone" Payroll Factor (from Page 4, Line 6) □.□□□□□□□□

3. "Zone" Receipts Factor (from Page 4, Line 9) □.□□□□□□□□

4. Average of Factors (add Lines 1, 2, & 3, and divide by the applicable number of factors utilized above) □.□□□□□□□□

	<u>COLUMN A RESIDENT</u>	<u>COLUMN B NON-RESIDENT</u>
5. Net Income (per 2007 NPT, Page 2 Worksheet A, Line 4 or Worksheet B, Line 4)		
6. Multiply Line 4 X Line 5A and/or Line 5B		
7. TAX RATE	.04260	.037557
8. "Zone" Net Income Tax Credit (Line 6 X Line 7)		
9. Total "Zone" NPT credit (Line 8A plus Line 8B)		
(Claim this credit on the 2007 Net Profit Tax, Page 1, Line 6B. This credit cannot exceed the amount on the 2007 NPT, Page 1, Line 5)		

Allowed Business Privilege Tax Credit on 2007 Net Profits Tax

1. BPT Taxable Net Income (from Page 2, Line 4 or Schedule B, Line 11 or Schedule A, Line 11 of the BPT return) _____
 2. BPT "Zone" Net Income (from Page 4, Line 15 of this book) _____
 3. Difference (Line 1 less Line 2) _____
 4. Percentage of net income to non-corporate partners _____%
(if no corporate partners, enter 100%)
 5. Net taxable BPT net income (Line 3 x Line 4) _____
 6. Net tax on BPT net income (Line 5 x .065) _____
 7. Allowed BPT credit (Line 6 x .6). _____
Include this amount on NPT Page 1, Line 6B.
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Computation of the 2008 BPT Mandatory Estimated Payment for "ZONE" Taxpayers

1. Amount from 2007 BPT, Page 1 or Summary Page, Line 3 _____
 2. BPT "Zone" Credit from Page 4, Line 20 of this book _____
 3. 2008 BPT Mandatory Estimated Payment for "Zone" taxpayers (Line 1 less Line 2). Enter here and on the 2007 BPT return, Page 1 or Summary Page, Line 4. _____
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Computation of BPT Page 1 or Summary Page, Line 6b Credits

1. Mandatory 2007 BPT estimated payment previously made _____
2. BPT "Zone" Tax Credit from Page 4, Line 20 _____
3. Other Credits _____
4. Total Credits (Line 1 + 2 + 3) _____
(Include this amount on Page 1 or the Summary Page, Line 6b of the 2007 BPT)