

2007 School Income Tax Return

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GENERAL FILING INFORMATION

Who should file - Only Philadelphia residents with taxable income. Review the instructions on Page 2 for a list of taxable income. Interest on bank savings accounts, checking accounts, and certificates of deposit issued by banks are not taxable. Partial year residents should refer to the instructions on Page 4.

Filing status - Complete the name and Social Security number information on the return. A husband and wife may file a combined return. However, losses from one spouse cannot be offset against gains from the other spouse. If the preprinted information listed on the return is incorrect, use the **Change Form** to make the necessary corrections. For example, if your spouse is deceased but the preprinted information pertains to your spouse, use the **Change Form** to indicate your name and Social Security number.

When to file - This return is due on or before **April 15, 2008**. An extension of time to file can be requested using the Extension Worksheet and coupon on Page 3. **Failure to file by the due date will result in the imposition of interest and penalty.**

Where to file - Sign the return and mail to: **Philadelphia Department of Revenue**
P.O. Box 389
Philadelphia, Pa 19105-0389

Internet Filing: To file this return online, go to www.phila.gov/revenue and select "Online Services". After submitting the tax return, you will receive an e-mail confirming that your tax return has been filed.

Payment of tax - If the tax due on Line 14 of the School Income Tax return is \$1 or more, make check payable to "City of Philadelphia". Do not remit tax due if less than \$1. **Internet filers can pay the tax due via credit card.** A user fee is added to the tax due when paying by credit card.

To pay in person, come to the Municipal Services Building, Concourse Level, 1401 John F. Kennedy Boulevard. Non-cash payments may also be made at 9239 Roosevelt Boulevard (located in the back of the Northeast Shopping Center at Welsh Road) and at 2761 N. 22nd Street (Hope Plaza).

Termination of School Income Tax Filing Responsibility - If you no longer have income subject to School Income Tax, use the **Change Form** to indicate the termination of School Income Tax filing responsibility. The form can be downloaded from www.phila.gov/revenue in the "Tax Form" section. If the School Income Tax filing responsibility terminated prior to 2007, mail in the "Change Form" indicating the date of termination but do not complete the 2007 School Income Tax return. A single Change Form can be used for all tax types for which you are liable.

Any net losses on Lines 1 through 8 of the return should be entered as "0". Losses may not be used to offset other types of income.

Contact Information: Send e-mail to revenue@phila.gov or call 215-686-6600. Forms can be downloaded from www.phila.gov/revenue.

Print your numbers legibly and boldly within the spaces provided to ensure efficient processing. Photocopies of this return are not acceptable.

INSTRUCTIONS FOR PREPARING THE SCHOOL INCOME TAX RETURN

Read these instructions carefully to determine if you have income subject to the tax.

Note: Income from Federal Schedule "C" business income and W-2 income should not be reported on School Income Tax returns.

The School District of Philadelphia imposes a tax on different classes of unearned income (i.e., income **not** subject to Philadelphia Business or Wage taxes). Examples of taxable income are dividends, certain interest, certain rents, and royalties. All residents of Philadelphia who receive these types of income must pay the tax.

If you were a resident for a portion of the year, see Page 4 of these instructions.

Line 1. All dividends are taxable unless they are a return of capital on a life insurance policy, from common stock of a National Bank, or from United States obligations. **All other dividends are taxable regardless of the source. You cannot reduce this income by reinvested dividends.**

Line 2. Interest income on either the Federal or State tax return may be included. Examples of taxable interest include, but are not limited to: interest income from securities, mortgages, private loans, insurance policies, bank notes, repurchase agreements, Fannie and Ginnie Mae obligations, and other sources.

The following are examples of non-taxable interest income:

- A. Direct obligations of the Federal Government
- B. Bonds or debt obligations of Pennsylvania or its political subdivisions
- C. Interest on savings, checking, escrow and money market savings accounts that are deposited in:
 - 1. Private Banks
 - 2. Building and Loan Associations
 - 3. Savings and Loan Associations
 - 4. Credit Unions
 - 5. Savings Banks
 - 6. Bank and Trust Company, or Trust Companies

Line 3. The pro rata share of taxable income of shareholders from a "Subchapter S" Corporation with adjustments for pass-through items (i.e., income and deduction items). If this is a net loss, enter "0".

Line 4. The pro rata share of any limited partnership income not otherwise subject to Philadelphia Net Profits Tax is taxable. If this is a net loss, enter "0".

Line 5. Income from estates and trusts is taxable only if it is received by or credited to the beneficiary and is the type of income that would normally be subject to the tax. **For example, if the income from a trust consists of interest and dividends, the amount taxable would be determined as in Lines 1 and 2 above.**

Line 6. Net gains and losses are taxable from the sale of tangible and intangible personal property and real property held for six months or less.

Note: This holding period differs from the 12 months or less period used by the Federal Government to identify short term capital gains. If this is a net gain, enter the gain on Line 6. If this is a net loss, enter "0".

Line 7. Net rental income received from the ownership of real or personal property is taxable unless the income is subject to Philadelphia Business Privilege and/or Net Profits taxes. If this is a net loss, enter "0". For School Income Tax purposes, report the net rental activity from a property which meets all of the following three criteria:

- 1. It is the principal residence of the owner;
- 2. It is totally residential;
- 3. It consists of 4 rental units or less including the owner occupied unit.

If the activity does not meet these criteria, you must file Business Privilege and/or Net Profits taxes.

Examples of owners that report rental income on School Income Tax:

<u>2 Units</u> Owner Occupied Unit Rental Unit	<u>3 Units</u> Owner Occupied Unit Rental Unit Rental Unit	<u>4 Units</u> Owner Occupied Unit Rental Unit Rental Unit Rental Unit
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Examples of owners that must report rental income on Business Privilege and/or Net Profits Tax returns:

<u>1 Unit</u> Rental Unit	<u>2 Units</u> Rental Unit Rental Unit	<u>3 Units</u> Rental Unit Rental Unit Rental Unit	<u>4 Units</u> Rental Unit Rental Unit Rental Unit Rental Unit	<u>5 Units</u> Owner Occupied Unit Rental Unit Rental Unit Rental Unit Rental Unit
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Owners of properties with 5 or more units must file Business Privilege and/or Net Profits tax returns even if they reside on the premises.

Line 8. Report the following income: 1) royalty or copyright, 2) an award of punitive damages, 3) the monetary value of any prize or award, 4) income from any annuity under a policy of insurance unless payable from a contract of employment as a part of retirement or pension plan, and 5) net proceeds from gambling (except PA lottery). If this is a net loss, enter "0".

Line 9. Add lines 1 through 8.

Line 10. You may include all reasonable expenses directly incurred in the production of taxable income if they were paid solely for the production of that income. Examples of allowable expenses are: 1) safe deposit box rentals, 2) margin account interest, and 3) any fee paid in 2007 for the preparation of the School Income Tax return.

Line 11. Subtract Line 10 from Line 9.

Line 12. Gross Tax Due. Multiply Line 11 by 4.26%.

Line 13. Enter here any credits from prior years and/or tax previously paid.

Line 14. TAX DUE. If Line 12 is greater than Line 13, enter the tax due on Line 14 and in box "A" of the payment coupon.

Line 15A and 15B. Overpayment. If Line 13 is greater than Line 12, enter the amount of tax overpaid on Line 15A or 15B to indicate if the overpayment is to be refunded or applied to the 2008 School Income Tax.

SCHOOL INCOME TAX EXTENSION WORKSHEET

An automatic extension of time for filing the 2007 School Income Tax will be granted for 60 days by filing the extension coupon and paying 100% of the estimated tax due. If an extension of time to file has been obtained from the Internal Revenue Service for filing your individual tax return, the corresponding School Income Tax return is due on or before the due date of the federal extension or 6/15/2008, whichever is later. You will not receive a written confirmation of your extension request.

- 1. Total Tax (100% of estimated tax due).....\$ _____
- 2. Other payments / credits you expect to report on Line 13.....\$ _____
- 3. Tax balance due (Line 1 minus Line 2); enter here and on the payment coupon below. If Line 2 is greater than Line 1, do not use the extension coupon.....\$ _____

Interest & Penalty - Filing the School Income Tax extension coupon does not extend the time to pay the tax. Interest and penalty shall be added to the amount of tax not paid by the statutory due date.

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DETACH HERE

2007 SCHOOL INCOME TAX EXTENSION COUPON

Name (print): _____

Social Security Number: _____ **Due Date: April 15, 2008**

Tax being paid: \$ _____ **Make check payable to "City of Philadelphia"**

Mail to: Philadelphia Department of Revenue
P.O. Box 389
Philadelphia, Pa 19105-0389

PARTIAL YEAR RESIDENTS

If you were a resident of Philadelphia for only a portion of 2007, indicate your period of residency in the space provided on the return. Certain taxable income should be pro-rated based on your period of residency. For example, if you owned a stock for the entire year and received a dividend of \$1,000, but moved to Philadelphia on July 1, 2007, only \$500 of the dividend would be taxable. If this was your only taxable dividend, you would enter \$500 on Line 1 of the tax return.

If income was realized on a specific date, your residency on that date will determine its taxability. In the above example, if you had a short-term capital gain (held six months or less) that was realized on June 1, 2007, none of that gain is taxable since you were not a Philadelphia resident on that date. For further information, contact the Technical Staff at 215-686-6432.

SOCIAL SECURITY NUMBERS

Page 1 of this return contains provisions for Social Security numbers. If these spaces are blank, complete them. If the data is incorrect, use the **Change Form** to make corrections. Disclosure of Social Security numbers is required pursuant to the provisions of Title 19 of the Philadelphia Code and regulations promulgated thereto. Social Security numbers are used to identify taxpayers and to ensure compliance of all City tax laws. Social Security numbers are treated as confidential, except in the course of Department of Revenue business.

COMPUTATION OF INTEREST AND PENALTY

Month after Due Date	Returns Filed After Due Date	Interest	Penalty	Combined Interest & Penalty	Cumulative Interest & Penalty
1st	04/16/08 thru 05/15/08	1%	1%	2%	2%
2nd	05/16/08 thru 06/15/08	1%	1%	2%	4%
3rd	06/16/08 thru 07/15/08	1%	1%	2%	6%
4th	07/16/08 thru 08/15/08	1%	2%	3%	9%
5th	08/16/08 thru 09/15/08	1%	2%	3%	12%
6th	09/16/08 thru 10/15/08	1%	2%	3%	15%
7th	10/16/08 thru 11/15/08	1%	3%	4%	19%
8th	11/16/08 thru 12/15/08	1%	3%	4%	23%
9th	12/16/08 thru 01/15/09	1%	3%	4%	27%
10th	01/16/09 thru 02/15/09	1%	4%	5%	32%
11th	02/16/09 thru 03/15/09	1%	4%	5%	37%
12th	03/16/09 thru 04/15/09	1%	4%	5%	42%

For each additional month or fraction thereof, after the 12th month, add 1% for interest and 1 ¼% for penalty.