GROSS RECEIPTS INSTRUCTIONS

DEFINITION OF GROSS RECEIPTS
Schedule D, Page 6, Lines 1 through 3: Receipts are cash, credits or property of any kind received from conducting business or from the sale of goods or services. The resale of goods received as a trade-in or partial payment for other goods must be included in receipts. No expenses, such as labor or the cost of goods sold, may be deducted when calculating receipts. Insurance companies should consult Sections 301 and 317 of the Regulations for additional information about calculating receipts.

Receipts from the rental or license of tangible personal property are included in the calculation of taxable receipts if the original situs of the property is within the City of Philadelphia and is subsequently delivered to a lessee within the City of Philadelphia. Where the original situs of the property is outside Philadelphia, the receipts are taxable if the tangible personal property is delivered to a lessee within Philadelphia. (Refer to Regulation Section 303.)

Exclusions - Page 6, Lines 5a through 5e: Several items may be excluded from receipts, such as taxes collected by a business as agent for the Federal, State or City government. (See Section 302 of the Regulations for other items which can be excluded from receipts.)

Information Technology Company (for 2002 to 2006 Business Privilege Tax returns), Line 5d: Chapter 19-2600 of the Philadelphia Code has been amended to exclude any receipts from the specific business conducted by an Information Technology Company. An "Information Technology Company" is a business categorized as electronic data processing services, computer system design and related services, computer facilities management services, and on-line information services as set forth in the North American Industry Classification System, 1997 (NAIC) codes. If the largest percentage of a company's total receipts is derived from from one or more of these activities, the company is considered to be an "Information Technology Company" for the purpose of this exclusion.

RATE OF TAX ON GROSS RECEIPTS
Schedule D, Page 6, Line 9: The rate for the gross receipts portion of the Business Privilege Tax has been **reduced** to **2.2525 mills** (.002525) on each dollar from the previous rate of 2.65 mills (.00265) beginning with the 2001 Business Privilege Tax New Start filing.

ALTERNATE METHODS FOR COMPUTING TAX ON GROSS RECEIPTS Schedule E, Page 8: Taxpayers engaged in manufacturing, wholesale and/or retail sales may use Schedule E to employ alternative methods for computing the tax on receipts. Any alternative method selected must be used only on the type of sales to which it applies and must be used for **all** taxable receipts of that type. Also, if the taxpayer elects to use an alternative method, deductions for labor and the cost of goods sold may only be made from receipts of that type.

The amounts of labor and costs of goods deductible from each type of receipts must be calculated by multiplying the percentage of that type of receipt which is taxable by the total cost attributable to that type of receipts. For example, if total sales are $1,000,000 and taxable wholesale receipts are $600,000, the portion of the total of $50,000 of labor attributable to wholesale receipts which can be deducted is $30,000 (50,000 x 600,000/1,000,000).

"Cost of goods sold" for the manufacturer (Page 8, Line 2) is as defined by the Internal Revenue Code. For the wholesaler (Line 6a) and the retailer (Line 11a), cost of goods sold includes the cost of the goods which were sold, freight charges for delivery to the taxpayer (but not to the customer), direct costs of independent contractors or suppliers to prepare the goods for sale, and the cost of containers which are essential to the use of the goods sold. (See Section 305 of the Regulations.)

"Cost of labor" for the wholesaler (Line 6b) or retailer (Line 11b) includes salaries and most benefits provided to employees who are involved in receiving, storing, shipping, delivering and making the actual sales of the goods, wares, commodities or merchandise. These benefits are outlined in Section 305 of the Regulations.

Alternate Method Rates (other than a Regulated Industry)
Manufacturers. A manufacturer shall at its option be permitted to compute the gross receipts tax on manufacturing sales at the rate of **4.18%** on taxable receipts from manufacturing sales after deducting the applicable cost of goods sold as determined in accordance with the applicable provisions of the Internal Revenue Code and Regulations promulgated thereunder. (Page 8, Line 4)

Wholesalers. A wholesaler shall at its options be permitted to compute the gross receipts tax on wholesale sales at the rate of **5.87%** on taxable receipts from wholesale sales after deducting the cost of goods and the cost of labor applicable to such receipts. (Page 8, Line 9)

Retailers. A retailer shall at its option be permitted to compute the gross receipts tax on retail sales at the rate of **1.39%** on taxable receipts from retail sales after deducting the cost of goods and the cost of labor applicable to such receipts. (Page 8, Line 14)