

PART II - GROSS RECEIPTS - Sections 301 to 327 of the Regulations

DEFINITIONS

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 lessees within the Commonwealth of Pennsylvania. 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: Several items may be excluded from receipts, including the reimbursement of expenses incurred by the taxpayer and 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.)

ALTERNATE METHODS FOR COMPUTING TAX ON RECEIPTS

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 ($50,000 \times 600,000 / 1,000,000$.)

“Cost of goods sold” for the manufacturer is as defined by the Internal Revenue Code. For the wholesaler or retailer, 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 or retailer 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.

Imposition and Rate of Tax on GROSS RECEIPTS

An annual tax is imposed upon all business receipts other than those specifically defined as regulated industries receipts at the rate of 2.65 mills (.00265) on each dollar,

Manufacturers. A manufacturer, other than a regulated industry, shall at its option be permitted to compute the gross receipts tax on manufacturing sales at the rate of 4.39% on taxable receipts from manufacturing sales after deducting the applicable cost of goods sold as determined in accordance with applicable provisions of the Internal Revenue Code and Regulations promulgated thereunder.

Wholesalers. A wholesaler, other than a regulated industry, shall at its option be permitted to compute the gross receipts tax on wholesale sales at the rate of 6.16% on taxable receipts from wholesale sales after deducting the cost of goods applicable to such receipts and the cost of labor applicable to such receipts.

Retailers. A retailer, other than a regulated industry, shall at its option be permitted to compute the gross receipts tax on retail sales at the rate of 1.46% on taxable receipts from retail sales after deducting the cost of goods applicable to such receipts and the cost of labor applicable to such receipts.