

**WORKSHEET NR-3
2003 NET PROFITS TAX RETURN**

**COMPUTATION OF APPORTIONMENT FACTORS TO BE APPLIED TO
APPORTIONABLE NET INCOME OF CERTAIN NON-RESIDENTS OF PHILADELPHIA.**

**Calculation of Average Values of Real and Tangible
Property Employed in Business:**

1. Inventories of Raw Materials, Work in Process and Finished Goods.
2. Land & Building Owned (At original cost).....
3. Machinery & Equipment Owned (At original cost).....
4. Other Tangible Assets Owned (At original cost).....
5. Rented Property (At 8 times the net annual rental).....
6. Total average value of Property used **OUTSIDE PHILADELPHIA**.....
7. Total average value of Property used **EVERYWHERE**.....

	COLUMN A OUTSIDE PHILADELPHIA	COLUMN B TOTAL EVERYWHERE
1.		
2.		
3.		
4.		
5.		
6.		XXXXXXXXXX
7.	XXXXXXXXXX	

Computation of Apportionment Factors:

Enter the factors on Lines 8C, 9C, 10C, 11 and 12 as a decimal.

8A. Total Average Value of Property outside Philadelphia from Column A, Line 6 above.....	8A.		
8B. Total Average Value of Property Everywhere from Column B, Line 7 above.....	8B.		
8C. Out of Philadelphia Property Factor (Line 8A divided by 8B).....	8C.	▪	
9A. Out of Philadelphia Payroll.....	9A.		
9B. Payroll Everywhere.....	9B.		
9C. Out of Philadelphia Payroll Factor (Line 9A divided by 9B).....	9C.	▪	
10A. Out of Philadelphia Receipts.....	10A.		
10B. Gross Receipts Everywhere.....	10B.		
10C. Out of Philadelphia Receipts Factor (Line 10A divided by 10B).....	10C.	▪	
11. TOTAL FACTORS (Total of Lines 8C, 9C, and 10C).....	11.	▪	
12. AVERAGE OF FACTORS (Line 11 divided by applicable number of factors).....	12.	▪	
13. Enter the amount from Worksheet B, Page 2, Line 4.....	13.		
14. Multiply Line 13 times Line 12. Enter here and on Worksheet B, Page 2, Line 5.....	14.		

Allocation versus Apportionment of a Non-resident's Net Profits

A non-resident individual, partnership, association or other unincorporated entity conducting or carrying on any business, profession, trade, enterprise or other activity is required to pay the Net Profits Tax (NPT) on the entire net profits of the business if **all** activity is conducted within the City of Philadelphia. This is true despite the absence of a Philadelphia office or business location.

Where a non-resident maintains **both** Philadelphia and non-Philadelphia branch offices, the taxpayer **may allocate** net profits between or among the Philadelphia and non-Philadelphia branch locations. The taxpayer must be prepared to show the Revenue Department that each branch office or location is self-sustaining and established. This is a question of fact, depending on the particular circumstances in each case. One factor, (of many) used by the Department to support a branch office is the presence of separate branch accounting books and records to support the allocation of the net profits between or among the various branch offices. Absent these separate accounting records, the non-resident taxpayer **must apportion** their net profits using the three-factor apportionment formula. ***Refer to Income Tax Regulation 222 at www.phila.gov/revenue.***

Note: Taxpayers cannot allocate net income for purposes of the Business Privilege Tax (BPT).