

**WORKSHEETS A, B and C
2005 NET PROFITS TAX RETURN**

**These are worksheets only.
Do not file these worksheets with your return.**

Instructions for Worksheets A and B
See Depreciation Decoupling explanation on Page 5.

Enter on Line 1 the net income or loss from the appropriate Federal Tax return(s) or if applicable, the Profit and Loss Statement.

Examples of Line 2 adjustments (not all inclusive): Federal Form 1040, Schedule "C" filers - add back to net income any taxes based on net income which have been deducted in arriving at reported net income, e.g., prior year Net Profits Tax (**the Business Privilege Tax paid is deductible**). Federal Form 1065 filers - add back to net income any taxes based on net income, capital gains, and guaranteed payments to partners; deduct from net income IRC section 179 expense. Non-residents may take an income exclusion for Public Law 86-272 activity.

Line 3 includes taxable income from the sale of business capital assets, income from estates or trusts, and income from patents and royalties.

WORKSHEET A: Business Income (Loss) for Residents

1. Net Income (Loss).....1.		
2. Federal Form 1065, Schedule K-1 and other adjustments.....2.		
3. Other taxable income3.		
4. Taxable Resident Net Income (Loss). Add Lines 1 through 3 and enter here and on Page 1, Line 1.....4.		

WORKSHEET B: Business Income (Loss) for Non-Residents

Non-residents of Philadelphia may apportion all or part of their net income to their places of business located outside of Philadelphia on Line 5, using **Worksheet NR-3** on Page 4. The apportionment is based on a **three factor** formula consisting of an average of the property owned, the salaries and wages paid, and the receipts earned during the tax year. Include on Line 5 a corporate partner's share of the net income of the partnership, joint venture or association.

1. Net Income (Loss).....1.		
2. Federal Form 1065, Schedule K-1 and other adjustments.....2.		
3. Other taxable income3.		
4. Total Net Income (Loss) (Total of Lines 1 through 3).....4.		
5. Net Income apportioned outside Philadelphia from Page 4, Line 14, Worksheet NR-3.....5.		
6. Taxable Non-Residents Net Income (Loss). Subtract Line 5 from Line 4. Enter here and on Page 1, Line 3.....6.		

WORKSHEET C: COMPUTATION OF ESTIMATED TAX BASE

If the amount on Line 3 is \$100 or less, estimated payments are not required. If the amount on Line 3 is greater than \$100, enter 25% of the amount on Line 3 on the first estimated coupon (ENP-1), Line 1 and the second estimated coupon (ENP-2), Line 1. If Net Profits Tax estimated payments are required, there are two payments due. The 1st estimated tax payment is due April 17, 2006 and the 2nd estimated tax payment is due June 15, 2006. **Estimated tax payments are not required on September 15, 2006 or January 15, 2007.**

1. Net Profits Liability from Page 1, Line 5.....1.		
2. Business Privilege Tax Credit from Page 1, Line 6a or Page 3, Worksheet D, Line 8.....2.		
3. Estimated Payments Base (Line 1 less Line 2).....3.		

**WORKSHEETS D, E and K
2005 NET PROFITS TAX RETURN**

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WORKSHEET D: ALLOCATION OF BUSINESS PRIVILEGE TAX CREDIT FOR PARTNERSHIPS, ETC., WITH CORPORATE MEMBERS (THIS SCHEDULE IS TO BE USED ONLY BY PARTNERSHIPS, JOINT VENTURES AND ASSOCIATIONS WHICH ARE COMPOSED OF ONE OR MORE CORPORATE PARTNERS, CORPORATE JOINT VENTURES, OR CORPORATE ASSOCIATES.)

1. Enter the portion of taxable income on which 2005 Business Privilege Tax has been paid, AND which represents the distributive shares of net income of ALL CORPORATE MEMBERS.....1.				
2. Enter the total taxable income of the taxpayer on which 2005 Business Privilege Tax has been paid.....2.				
3. Divide Line 1 by 2 and enter the percentage here and on Page 1.....3.				%
4. Enter the amount from Page 3, Worksheet K, Line 2.....4.				
5. Multiply the amount on Line 4 by the percentage on Line 3.....5.				
6. Subtract Line 5 from Line 4.....6.				
7. Enter the amount from Page 1, Line 5.....7.				
8. Business Privilege Tax Credit allowed. Enter the lesser of Line 6 or Line 7 here, and on Page 1, Line 6a.....8.				

WORKSHEET E: SUMMARY OF PAYMENTS AND OTHER CREDITS

1. 2005 Estimated Net Profits Tax Payments.....1.		
2. Payments of 2005 Net Profits Tax made with Application for Extension of Time to File.....2.		
3. Overpayment of 2005 Business Privilege Tax or 2004 Net Profits Tax to be applied to this tax return.....3.		
4. TOTAL of Lines 1 through 3. Enter here and on Page 1, Line 6b of the return.....4.		

WORKSHEET K: 60% BUSINESS PRIVILEGE TAX CREDIT 2005 NET PROFITS TAX RETURN

1. Enter the amount from Page 1, Line 1 of the 2005 BPT-EZ return or the Summary Page, Line 1 of the 2005 Business Privilege Tax return.....1.		
2. Enter 60% of the amount on Line 1. If your entity has corporate members, STOP HERE and enter this amount on Page 3, Worksheet D, Line 4.....2.		
3. Enter the amount from Page 1, Line 5 of the 2005 Net Profits Tax return.....3.		
4. Business Privilege Tax credit allowed. Enter the lesser of Line 2 or Line 3 here and on Page 1, Line 6a.....4.		

**WORKSHEET NR-3
2005 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).