

Business Privilege Tax – Frequently Asked Questions

Q – I received the Business Privilege Tax package and I am confused. Who can help me?

A – Please read these questions and answers in addition to the instructions in the Business Privilege Tax book that you received. The Department of Revenue will also answer any questions you may have – please call (215) 686-6500. In addition, you can also e-mail your questions to revenue@phila.gov. If you still need assistance, you may choose to retain a professional tax preparer.

Q – I made a Business Privilege Tax mandatory estimated payment on the Business Privilege Tax return. How do I claim this credit when filing next year's BPT return?

A – Report your BPT estimated payment on Line 6b Of Page 1 or Line 6b of the Summary Page.

Q – What federal tax return is used as the basis for filing my BPT return?

A – The Business Privilege Tax is based on actual activity. For calendar year taxpayers, the BPT return is based on your calendar year activity for that same year. For fiscal year taxpayers, the BPT return is based on the activity of the fiscal year that ends in the same year as the BPT return you are filing (e.g. , if your fiscal year ended June 30, 2010 the 2010 BPT is based on the activity from July 1, 2009 through June 30, 2010).

Q – The Business Privilege Tax book I received indicates that a mandatory estimated payment is required for next year. I believe my tax liability for next year will be much less than this year. Can I pay a smaller estimate?

A – Taxpayers who believe their BPT liability for next year will be less than their BPT liability for this year may calculate their own estimated payment. No separate petition is required. Enter the estimate for next year on Line 4 of the BPT return and pay this amount. However, if the amount due on next year's return is higher than the estimated payment, you will be billed interest and penalty on the difference. By paying an estimate less than the current year's liability, you also waive the right to appeal the accelerated interest and penalty incurred on the estimated payment.

Q – If I pay the mandatory estimate on the Business Privilege Tax but next year my actual tax liability is higher than the estimate. Will I be billed interest and penalty on the difference?

A – No. If you paid the mandatory 100% estimate and your liability for next year's BPT is greater than the 100% estimate, no interest and penalty will be charged on the difference if it is paid by the due date.

Q – What if I choose not to pay any estimated payment on the BPT return?

A – After your return is processed, you will be billed for the mandatory estimated payment plus interest and penalty. Do not put "0" on Line 4 if you are still in business during the year for which the estimated payment is required.

Q – I terminated my business during the year. What do I enter on Page 1, Line 4 or on the Summary Page, Line 4 of the BPT return?

A – You should enter "0" on Page 1 or the Summary Page, Line 4 and enter the termination date in the space provided above Line 1. You also need to file a "Change Form" to notify the City of this termination.

Q – I terminated my business during the year. I can't find the Termination Year Net Profits Tax return in the Net Profits Tax booklet. How can I obtain this form?

A – The Termination Year Net Profit Tax return is no longer needed because of the Business Privilege Tax being filed on actual activity. If your unincorporated business terminated during the year, you need to file the Business Privilege Tax return and the Net Profits Tax return by the April 15 due date in the following year.

Q – My business started in the current year and I am a fiscal year filer. How should I file the BPT return since I don't have a full twelve month fiscal year that ends in the current year?

A – Enter zeroes on Lines 1, 2, 3, and 4 of Page 1 or the Summary Page of the BPT return and then send in the return. The first full fiscal year ending in the next calendar year will be reported on next year's BPT return.