

FREQUENTLY ASKED QUESTIONS

Question 1: Does Philadelphia allow as a deduction the special first year depreciation allowance on certain property acquired after September 10, 2001 and before September 11, 2004?

Answer: No. This special allowance depreciation is not allowed as a deduction in determining taxable net income for Business Privilege and Net Profits tax purposes. See **Page 5** for more information on this "Depreciation Decoupling".

Question 2. If I have incurred an overall loss, must I file a Net Profits Tax Return?

Answer. Yes. A return must be filed even if an overall loss is incurred. If no return is filed, non-filer penalties could be imposed.

Question 3. Can I send one check for the Net Profits Tax, Business Privilege Tax and estimated Net Profits Tax returns?

Answer. Yes, write your account number on the check and include the appropriate coupons in the postage paid envelope provided in your tax package.

Question 4. What is the Business Privilege Tax Credit?

Answer. Taxpayers who file and pay the Business Privilege Tax are entitled to take a credit against their Net Profits Tax liability, of an amount equal to 60% of the Business Privilege Tax paid on Net Income. This credit, however, may not exceed the amount of the Net Profits Tax liability. See Page 4, Worksheet K, to compute this credit.

Question 5. I have filed for a Federal automatic extension but I do not believe I will owe any Net Profits Tax. Should I still file an extension coupon?

Answer. Yes, an extension coupon must be filed with "0" entered in the "Tax Due" box.

Question 6: Are Limited Liability Companies (LLC's) subject to the Net Profits Tax?

Answer: The City of Philadelphia follows the Federal tax treatment for LLC's. If the LLC chose corporate tax treatment, it would not be liable for Net Profits. If the LLC chose to be treated as a partnership or a disregarded entity treated for federal filing purposes as an individual, it would be liable for Net Profits Tax.

COMPUTATION OF INTEREST AND PENALTY

Month after Due Date	Returns Filed After Due Date	Interest	Penalty	Combined Interest & Penalty	Cumulative Interest & Penalty
1st	04/16/03 thru 05/15/03	1%	1%	2%	2%
2nd	05/16/03 thru 06/15/03	1%	1%	2%	4%
3rd	06/16/03 thru 07/15/03	1%	1%	2%	6%
4th	07/16/03 thru 08/15/03	1%	2%	3%	9%
5th	08/16/03 thru 09/15/03	1%	2%	3%	12%
6th	09/16/03 thru 10/15/03	1%	2%	3%	15%
7th	10/16/03 thru 11/15/03	1%	3%	4%	19%
8th	11/16/03 thru 12/15/03	1%	3%	4%	23%
9th	12/16/03 thru 01/15/04	1%	3%	4%	27%
10th	01/16/04 thru 02/15/04	1%	4%	5%	32%
11th	02/16/04 thru 03/15/04	1%	4%	5%	37%
12th	03/16/04 thru 04/15/04	1%	4%	5%	42%

For each additional month or fraction thereof, after the 12th month, add 1% for interest and 1¼% for penalty.

Note: Payments made with returns filed after the due date that do not include applicable interest and penalty will be automatically pro-rated between principal, interest and penalty. You will be subsequently billed for the remaining tax balance and associated interest and penalty.