CITY OF PHILADELPHIA
BUSINESS PRIVILEGE TAX REGULATIONS

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SECTION 101. DEFINITIONS.

The following words and phrases, when used in these Regulations, have the meanings ascribed to them in this section, except where the contents clearly indicate another or a different meaning.

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D. "Business." Carrying on or exercising for gain or profit within Philadelphia any trade, business, including financial business as hereinafter defined, profession, vocation or commercial activity, including the partial or complete liquidation or sale of business assets, or making sales to persons within the City of Philadelphia. "Business" shall not include the following:

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EE. “Tax Measurement Year.” The fiscal or calendar year by which the person engaging in business keeps its books and records for federal tax purposes.

[EE]FF. "Tax Year." A 12-month period from January 1 to December 31, inclusive.

[FF]GG "Temporary, Seasonal, or Itinerant Business." Any business that is conducted for a total of less than 30 consecutive or intermittent days in any one tax year.

[GG]HH."Wholesale." The sale of goods, commodities, wares or merchandise to a dealer or vendor of such goods, commodities, wares or merchandise.

[HH]II "Wholesaler." A person whose business consists in part or in its entirety of the sale of goods, commodities, wares or merchandise at wholesale.

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SECTION 202. DUE DATES FOR FILING RETURNS AND FOR PAYMENTS OF ACTUAL AND ESTIMATED TAXES.

The Philadelphia City Council by Ordinance amended Chapter 19-2600 of The Philadelphia Code, entitled “Business Privilege Taxes. The Ordinance was approved by the Mayor on November 26, 2002 and applies to tax years 2002 and thereafter. The amendment, among others, eliminates the prepaid structure of the tax, clarifies the time and manner of filing the returns and requires the payment of mandatory estimated tax.

A. **[Except as provided in subsections B, C and D**, **each]** Every person engaged in business is required to file a Business Privilege Tax Return for each tax year in business and pay any tax balance due on that tax year on or before the 15th day of April of **[each tax year.]** the year following each tax year. In addition, a mandatory estimated tax payment(s) equal to a 100% of the actual tax due of the current tax year shall be paid. The estimated tax for tax years 2003 and 2004 shall be made on or before the 15th day of April of the year following the tax years. For tax years thereafter, estimated tax payments shall be made at such times and on such forms as provided by the Department of Revenue. Failure to make the required estimated payment on the due date shall subject a taxpayer to interest, penalties and costs as provided in Section 19-509 of the Philadelphia Code. Any overpayment of the current year tax shall be applied first to the payment of an estimated tax for the tax year that follows or to other taxes due. A remaining balance, if any, shall be applied to future BPT years unless the taxpayer requests a refund of the amount.

Example: “A”’s actual 2002 and 2003 BPT liabilities are $3,000 and $5,000, respectively. When filing its actual 2002 BPT return due April 15, 2003, “A” shall pay an estimated tax of $3,000 for 2003 p rivilege year. When filing its 2003 BPT Return due April 15th 2004, “A” shall pay the $2,000 balance due ($5,000 tax due minus $3,000 estimated payment made) on the 2003 tax year and $5,000 estimated payment for tax year 2004.

Example: “B”’s actual 2002 and 2003 BPT liabilities are $6,000 and $5,000, respectively. When filing its actual 2002 BPT Return due April 15, 2003, “B” shall pay an estimated tax of

$6,000 for 2003 privilege year. When filing its 2003 BPT Return due April 15, 2004, "B" shall apply the $1,000 overpayment of the 2003 estimated tax ($6,000 - $5,000) and shall pay an additional $4,000($5,000 - $1,000) to the payment of an estimated tax for the 2004 privilege year.

B. An extension to file the current year tax return will not relieve the taxpayer from the obligation to pay an amount equal to 100% of the current year tax due as an estimated tax for the following tax year on the due date.

Example: "C"'s 2003 BPT liability was $10,000 and "C" is on extension to file 2004 BPT return. When filing its 2003 BPT return due April 15, 2004, "C" shall pay an estimated tax of $10,000 for 2004 privilege year. When filing for an extension to file 2004 BPT return, due April 15, 2005, "C" estimated its 2004 BPT liability to be $15,000 and shall pay the $5,000 balance due on 2004 BPT and the $15,000 estimated tax for the 2005 privilege year. When filing its 2004 BPT return at the end of the extension period, "C" has found its 2004 BPT liability to be $18,000. "C" shall pay the $3,000 balance due on 2004 BPT with interest and penalties accruing from April 15, 2005 through the end of the extension period. Interest and penalties shall be imposed on any 2004 BPT balance paid after the end of the extension period. "C" shall also pay an additional $3,000 to cover the balance due on the estimated tax payment for the 2005 privilege year with interest and penalties accruing from April 15, 2005 to the date of payment.

C. A person may petition the Department of Revenue for permission to pay less than 100% of the current year tax liability as a mandatory estimated tax for the tax year following the current tax year. The petition must provide an explanation as to why the estimate should be less than a 100%. Acceptable reasons may be unusual, unique or nonrecurring transaction(s) that caused an unusually high current year tax liability or may result in unusually low tax liability in the year following the current tax year. The petition must be filed, using a form provided by the Department, on or before the 20th day of March of the year following the current tax year. A petitioner may presume approval of the petition if the Department does not communicate its disapproval by April 10 of the year following the current tax year. Interest and penalty shall be imposed, and shall not be waived, if the payment is found to be lower than the following year actual tax liability.

Example: "D"'s 2003 BPT liability was $75,000. In the three years prior to 2003, "D"'s BPT liability were $25,000, $20,000 and $25,000 respectively. In tax year 2003, "D" sold a segment of his business that resulted in a huge capital gain. "D" filed a petition for paying a lower estimated tax for the following tax year stating that the relatively high 2003 BPT liability was due to the capital gain generated because of the unusual and nonrecurring transaction. "D" estimated its 2004 BPT liability to be on line with the years prior to 2003 and requested permission to pay $25,000 estimated tax. The Department granted the petition and "D" paid the $25,000 estimated tax for the 2004 tax year on the due date, April 15, 2004. When filing its 2004 BPT return, due April 15, 2005, "D" reported its 2004 BPT liability to be $40,000. "D" shall pay the $15,000 balance due with interest and penalty accruing from April 15, 2004 to the date of payment.

Example: "E"'s 2003 BPT liability was $50,000. "E" anticipated terminating its Philadelphia operations sometimes in August of 2004 with lower than usual activities in the months prior to termination. "E" filed a petition stating that as a result of this anticipated termination, its 2004 BPT liability is expected to be no more than $20,000. "E" requested a permission to pay $20,000 estimated tax for 2004 tax year, the Department granted the petition and "E" paid the $20,000 on the due date, April 15, 2004. When filing its 2004 final BPT return, "E" reported its liability for the year to be $15,000. Assuming that "E" does not owe any tax money to the City, the City shall issue a $5,000 refund check to "E".

Example: Same facts as the example above except that, before filing its 2004 final BPT return due April 15, 2005, "C" determines its 2004 BPT liability to be $25,000 (instead of $20,000) and decides to pay the balance on January 1, 2005. "C" shall pay the $5,000 balance due with interest and penalties accruing from April 15, 2004 to January 1, 2005.

[B. Persons Who Commenced Engaging in Business in Philadelphia During the Calendar Year Preceding the Tax Year.

Each person who commences engaging in business during the calendar year preceding the tax year is required to file a tax return for that tax year on or before April 15 of the year following the tax year.

Example: "C" started in business April 15, 1984. Her tax return for the tax year 1985 must be filed on or before April 15, 1986.

Example: "D" was engaged in business outside Philadelphia before opening a branch office in Philadelphia on September 1, 1985. Its tax return for the privilege year 1986 must be filed on or before April 15, 1987.

C. Persons Who Commenced Engaging in Business in Philadelphia During the Current Tax Year.

Each person who commences engaging in business at any time during a tax year is required to file a tax return for that tax year on or before April 15th of the year following the tax year.

Example: "A" started in business February 1, 1985. His tax return for the tax year 1985 must be filed on or before April 15, 1986.

Example: **"B" was engaged in business outside Philadelphia for 10 years prior to engaging in business in Philadelphia on July 1, 1985. Her tax return for the tax year 1985 must be filed on or before April 15, 1986.]**

D. Terminating Businesses. Every person that has terminated its business during the tax year is required to file a final BPT return on or before the 15th day of April of the year following the termination year.

[D]E. Persons Engaged in a Temporary, Seasonal, or Itinerant Business.

Each person engaged in a temporary, seasonal or itinerant business is required to file a tax return for each tax year within thirty (30) days of the day completing each business during any tax year.

SECTION 203. PERIOD USED IN COMPUTING TAX.

The Philadelphia City Council amended Chapter 19-2600 of The Philadelphia Code, entitled "Business Privilege Taxes", by Ordinance which is applicable to tax years 2002 and thereafter clarifying the periods to be used in computation of the tax, ensuring that gains from the termination of business are subject to tax and clarifying the treatment of calendar and fiscal year taxpayers. These aspects of the Ordinance are further clarified under this section of the Regulations. **[The determination or computation of net income or taxable receipts depends upon the period of time during which the taxpayer was engaged in business in Philadelphia.]**

A. Tax on Net Income

[1. Persons Who Commenced Engaging in Business in Philadelphia More Than One Full Year Prior to the Beginning of a Tax Year.

a. Persons Filing with the Federal Government on a Calendar Year Basis.

The net income reportable shall be the net income (or loss) for the calendar year preceding the tax year.

b. Persons Filing with the Federal Government on a Fiscal Year Basis.

The net income reportable shall be the net income (or loss) for the most recent twelve month fiscal year used for reporting net income (or loss) to the Federal Government, which fiscal year ends on or before December 31 of the year preceding the tax year.

In the event that the taxpayer was engaged in business in Philadelphia during the entire preceding calendar year, but commenced business in Philadelphia with a fiscal period shorter than twelve months, and did not complete a full twelve month fiscal period during the preceding calendar year, the taxpayer shall compute and report net income in accordance with the rules set forth in subsection A.2.b.

2. Persons Who Commenced Engaging in Business in Philadelphia During the Calendar Year Preceding a Tax Year.

a. **Persons Filing with the Federal Government on a Calendar Year Basis.**

The net income reportable shall be the net income (or loss) for the calendar year which is concurrent with the tax year.

b. **Persons Filing with the Federal Government on a Fiscal Year Basis.**

The net income reportable shall be the net income (or loss) for the first full twelve month fiscal period ending within the tax year, which is used for reporting net income (or loss) to the Federal Government.

In the event the taxpayer commences business with a fiscal period shorter than twelve months, and does not complete a full twelve-month fiscal year by the end of the tax year, the following rules shall apply:

(1) **If the initial short fiscal period is more than 180 days, the net income reportable shall be the net income (or loss) for the short fiscal period divided by the number of days in that fiscal period and multiplied by 365 days.**

(2) **If the initial short fiscal year is 180 days or less, the net income reportable shall be the net income (or loss) for the first 365 days of business. Taxpayers who elect Net Income Method II shall compute and report net income (or loss) as would have been properly returned to and ascertained by the Federal Government for the first 365 days of business.**

3. **Persons Who Commence Engaging in Business in Philadelphia During a Tax Year.**

The net income reportable for that tax year shall be the net income (or loss) for that portion of the tax year during which the taxpayer was engaged in business in Philadelphia. A taxpayer authorized to file tax returns with the Federal Government on a fiscal year basis, but whose first fiscal year does not end until the year following the tax year, shall make an election to report net income under Net Income Method I or Net Income Method II. Taxpayers who elect Net Income Method II shall compute and report net income (or loss) as would have been properly returned to and ascertained by the Federal Government for that portion of the current tax year during which the taxpayer was engaged in business. In the event that the taxpayer commences business in Philadelphia with a fiscal period shorter than twelve months, which ends within the current tax year, the following rules shall apply:

a. **If the number of days in the initial short fiscal period is equal to 50% or more of the total number of days in business in Philadelphia during the current tax year, the net income reportable shall be the net income (or loss) for the short fiscal period, divided by the number of days in the short fiscal period, and multiplied by the total number of days in business in the current tax year.**

b. **If the number of days in the initial short fiscal period is less than 50% of the total number of days in business in Philadelphia during the current tax year, the net income reportable shall be the net income (or loss) for that portion of the tax year during which the taxpayer was engaged in business in Philadelphia. Taxpayers who elect Net Income Method II shall compute and report net income (or loss) as would have been properly returned to and ascertained by the Federal Government.]**

1. Every person subject to the net income portion of the tax shall compute its net income using the net income for the tax measurement year ending in the tax year.

Example: "F" has a calendar tax measurement year. "F"'s net income for calendar year 2003 is $1,000. The net income reportable for filing "F''s 2003 privilege year tax return, due April 15, 2004, is $1,000.

Example: "G" has a fiscal tax measurement year ending March 31. "G"'s net income for fiscal year ending March 31, 2003 is $2,000. The net income reportable for filing "G"'s 2003 privilege year tax return, due April 15, 2004, is $2,000.

[4] 2. Persons Engaged in a Seasonal, Temporary or Itinerant Business.

The net income reportable for the tax year shall be the net income for that portion of the tax year in which the business was actually conducted.

B. Tax on Receipts

[1. The tax is based on each person's taxable receipts of the entire preceding calendar year, except for those persons:

a. Who commenced engaging in business in Philadelphia during a tax year, or

b. Who commenced engaging in business in Philadelphia during the calendar year preceding the tax year, or

c. Whose business in Philadelphia is temporary, seasonal or itinerant.

2. Every person who commenced engaging in business during the calendar year preceding the tax year shall compute his taxable receipts for the tax year on the taxable receipts received by him during the first 365 days in business.

2. Every person who commenced engaging in business in Philadelphia during a tax year shall compute his taxable receipts for that tax year on the taxable receipts received by him from the date of commencing business in Philadelphia through December 31 of that year.]

1. Every person subject to the gross receipts portion of the tax shall compute its taxable receipts using the receipts received for the tax measurement year ending in the tax year.

Example: "H" has a calendar tax measurement year. "H"'s gross receipts for calendar year 2003 is $10,000. The taxable receipts reportable for filing "H''s 2003 privilege year tax return, due April 15, 2004, is $10,000.

Example: "I" has a fiscal tax measurement year ending March 31. "I"'s gross receipts for fiscal year ending March 31, 2003 is $20,000. The taxable receipts reportable for filing "I"'s 2003 privilege year tax return, due April 15, 2004, is $20,000.

[4] 2. Every person engaged in Philadelphia in a temporary seasonal or itinerant business shall compute his taxable receipts for each tax year on the taxable receipts received by him during that tax year.

C. **Certain New Businesses With a Fiscal Tax Measurement Year**. Every person who commences engaging in business within Philadelphia in any tax year after 2001 and whose first fiscal year in business within Philadelphia does not end in that tax year shall file a return stating that no tax is due for the tax year.

Example: "J" started doing business within Philadelphia on September1, 2003. "J" has a fiscal tax measurement year ending March 31. "J"'s first fiscal year in business within Philadelphia ends on March 31, 2004. Since "J"'s first fiscal year does not end in 2003 tax year, the year "J" starts doing business within Philadelphia, "J" shall file the 2003 BPT Return stating that no tax is due for 2003 tax year.

Example: "K" started doing business within Philadelphia on March 1, 2003. "K" has a fiscal tax measurement year ending September 30. Since "K"'s first fiscal year ends on September 30, 2003, the year "K" starts doing business within Philadelphia, "K" shall file its 2003 BPT return based on the net income and the taxable receipts of the short fiscal year ending in the tax year, that is March 1, 2003 through September 30, 2003.

D. **Terminating Businesses**. The period used to file the final tax year return depends on whether a person has a calendar or fiscal Tax Measurement Year and, in the case of a person with a fiscal Tax Measurement Year, on whether or not a person starts engaging in business within Philadelphia prior to tax year 2002. Note that under section "C" above, certain new businesses with a fiscal tax measurement year are required to file their first tax year returns stating that there is no tax due. This results in the postponement of payment of taxes on some months until termination of business activity within Philadelphia occurs. For this reason, the months used in filing such businesses' final tax year returns will be more than the number of months in business in their final tax years.

Every person terminating its business activity within Philadelphia during a tax year falls into only one of the following categories for the purpose of filing its final tax year return.

1. All Calendar Year Taxpayers Irrespective of The Staring Date.

Every person with a calendar tax measurement year shall file its final tax year return based on the net income and the taxable receipts of the period commencing on the first day of the tax year and ending on the date of termination.

Example: "L" terminated its business activity within Philadelphia on July 15, 2003. "L" shall file its final tax return for 2003 privilege year, due April 15, 2004, based on the net income and the taxable receipts of the period beginning January 1, 2003 and ending on July 15, 2003.

2. All Fiscal Year Taxpayers Starting Business Within Philadelphia Prior to 2002.

Every person with a fiscal tax measurement year, and who commenced engaging in business within Philadelphia prior to tax year 2002, shall file its final tax return as follows:

a. If the fiscal year ends prior to the termination date within the tax year, the person shall file its final tax year return based on the combined net income and combined taxable receipts of the fiscal tax measurement year ending in the tax year and the short period ending on the termination date, divided by the total number of days in the combined periods, and multiplied by the number of days in business during the final privilege year. Any capital gain or loss reported in either one of the periods shall be taken out of the calculation and be added back to or subtracted from the tax base.

Example (1): "M" has a fiscal tax measurement year ending March 31 and terminated its business within Philadelphia on July 15, 2003. FYE 3/31/03 taxable receipts and net income are $100,000 and $20,000 respectively. The taxable receipts and net income for the short period, 4/01/03 through 7/15/03, are $30,000 and $20,000 respectively. The taxable receipts and net income for the combined period are therefore $130,000 and $40,000 respectively. The total number of days in the combined periods, 4/01/02 through 7/15/03, is 471 and the number of days in business during the final privilege year is 196. Thus, "M"'s taxable receipts shall be $130,000 divided by 471 and multiplied by 196, and "M"'s reportable net income shall be $40,000 divided by 471 and multiplied by 196.

Example (2): Assume the same facts as example (1) except that the short period taxable receipts and net income include $15,000 capital gain respectively. The taxable receipts and the net income shall be reduced by the capital gain resulting in $115, 000 taxable receipts and $25,000 net income. These amounts shall be divided by 471 and multiplied by 196. The $15,000 capital gain shall then be added to the resultant taxable receipts and net income to arrive at the taxable receipts and net income.

b. If termination occurs within a tax year prior to the end of the fiscal tax measurement year ending in that tax year, the person shall file its final year tax return based on the net income and the taxable receipts of the short fiscal year ending on date of termination, divided by the number of days in business within Philadelphia during the short fiscal year, and multiplied by the total number of days in business during the final privilege year. Any capital gain or loss reported in the short fiscal year shall be taken out of the calculation and be added back to or subtracted from the tax base.

Example: "N" has a tax measurement year ending September 30. "N" terminated its business activity within Philadelphia on July 15, 2003. "N"'s taxable receipts and net income for the short period beginning October 1, 2002 and ending July 15, 2003 are $60,000 and $15,000 respectively. The number of days in business during the short fiscal year is 288 and the number of days in business during the final privilege year is 196. Thus, for the 2003 privilege year, "N"'s taxable receipts shall be $60,000 divided by 288 and multiplied by 196, and "N"'s reportable net income shall be $15,000 divided by 288 and multiplied by 196.

3. All Fiscal Year Taxpayers Starting Business Within Philadelphia After 2001.

Every person with a fiscal tax measurement year, who commences engaging in business within Philadelphia after tax year 2001, shall file its final tax return as follows:

a. If the fiscal year ends prior to the termination date within the tax year, the person shall file its final tax year return based on the combined net income and the combined taxable receipts of the fiscal tax measurement year ending in the tax year and the short period ending on the termination date.

Example: "O" has a fiscal tax measurement year ending March 31 and terminated its business activity within Philadelphia on July 15, 2003. "O" shall file its final tax return for 2003 privilege year, due April 15, 2004, based on the combined net income and the combined taxable receipts of the tax measurement year ending March 31, 2003 and the short period beginning April 1, 2003 and ending July 15, 2003. This means that "O"'s final BPT return reflects fifteen and half months of business activity within Philadelphia.

b. If termination occurs within a tax year prior to the end of the fiscal tax measurement year ending in the tax year, the person shall file its final year tax return based on the short fiscal year ending on the termination date.

Example: "P" has a tax measurement year ending September 30 and terminated its business activity within Philadelphia on July 15, 2003. "P" shall file its final tax return for 2003 privilege year, due on April 15, 2004, based on the net income and the taxable receipts of the period beginning October 1, 2002, and ending July 15, 2003.

E. Changes In Tax Measurement Year For Persons Starting Business Within Philadelphia Prior To Tax Year 2002.

1. From Calendar To Fiscal.

Every person that changes its tax measurement year from calendar to a fiscal year shall file its tax return for the tax year the change occurs as follows:

a. If the initial short fiscal period is more than 180 days, the taxable receipts and the net income reportable shall be the taxable receipts and the net income for the short fiscal period divided by the number of days in that fiscal period and multiplied by 365. Any capital gain or loss reported in the short fiscal year shall be taken out of the calculation and be added back to or subtracted from the tax base.

Example: During the 2003 tax year, "O" changed its calendar tax measurement year to a fiscal tax measurement year ending July 31. The number of days in the initial short fiscal period is therefore 213. "O"'s taxable receipts and net income for the initial short fiscal period, 1/01/03 – 7/31/03, are $10,000 and $1,000 respectively. Thus, the taxable receipts reportable for the 2003 tax year shall be $10,000 divided by 213 and multiplied by 365, and the net income reportable shall be $1,000 divided by 213 and multiplied by 365.

b. If the initial short fiscal year is 180 days or less, the taxable receipts and the net income reportable shall be the annualized amount of the combined taxable receipts and the combined net income of the calendar year preceding the current tax year and the initial short fiscal year ending in the tax year. Any capital gain or loss reported in either one of the periods shall be taken out of the calculation and be added back to or subtracted from the tax base.

Example: During the 2003 tax year, "P" changed its calendar tax measurement year to a fiscal tax measurement year ending March 31. Since the number of days in the initial short fiscal period is 90, which is less than 180, "P"'s reportable taxable receipts and net income for the 2003 tax year shall be the taxable receipts and the net income for the period beginning January 1, 2002 and ending March 31, 2003, divided by 456 and multiplied by 365.

2 From Fiscal To Calendar.

Every person that changes its tax measurement year from a fiscal year to a calendar year shall file its tax return for the tax year in which the change occurs based on the annualized amount of the combined net income and the combined taxable receipts of the fiscal year ending in the tax year and the short year ending on December 31st of the tax year. Any capital gain or loss reported in either one of the periods shall be taken out of the calculation and be added back or subtracted from the tax base.

Example: During the 2003 tax year, "Q" changed its fiscal tax measurement year ending March 31 to a calendar tax measurement year. "Q"'s reportable receipts, and net income, for tax year 2003 BPT shall be the combined taxable receipts, and combined net income, of the fiscal year ending March 31, 2003 and the short period beginning April 1, 2003 through December 31, 2003, divided by the total number of days in business from 4/01/02 through December 31, 2003 , and multiplied by 365.

3. From One Fiscal To Another Fiscal.

Every person that changes its tax measurement year from one fiscal year to another fiscal year shall file its tax return for the tax year in which the change occurs as follows:

a. When the new fiscal year ends in a month that comes later in the same tax year than the month in which the old fiscal year ends, the tax return for the tax year in which the change occurs shall be filed based on the annualized amount of the combined net income, and the combined taxable receipts of the fiscal tax measurement year and the short period ending in the tax year. Any capital gain or loss reported in either one of the periods shall be taken out of the calculation and be added back or subtracted from the tax base.

Example: During the 2003 tax year, "R" changed its tax measurement year ending March 31 to a tax measurement year ending September 30. "R"'s reportable receipts, and net income, for tax year 2003 shall be the taxable receipts, and the net income, of the period beginning April 1, 2002 through September 30,2003, divided by the total number of days in business during the same period and multiplied by 365.

b. When the new fiscal year ends in a month that comes earlier in the tax year than the month in which the old fiscal year ends, the tax return for the tax year in which the change occurs shall be filed based on the following rules:

(i). If the initial short fiscal year is more than 180 days, the taxable receipts and the net income reportable shall be the taxable receipts and the net income for the short fiscal period divided by the number of days in that fiscal period and multiplied by 365. Any capital gain or loss reported in the short fiscal year shall be taken out of the calculation and be added back to or subtracted from the tax base.

(ii). If the initial short fiscal year is 180 days or less, the taxable receipts and the net income reportable shall be the annualized amount of the combined taxable receipts and the combined net income of the old twelve months fiscal year ending in preceding calendar year and the initial short fiscal year ending in the current tax year. Any capital gain or loss reported in either one of the periods shall be taken out of the calculation and be added back or subtracted from the tax base.

Example: During the 2003 tax year, "S" changed its tax measurement year ending September 30 to a tax measurement year ending January 31. Since the initial short fiscal year ending January 31, 2003 is less than 180 days, "S" shall file its 2003 BPT return, due April 15, 2004, based on the combined taxable receipts and the combined net income of the twelve month fiscal year ending September 30, 2002 and the initial short fiscal year beginning October 1, 2002 and ending January 31, 2003, divided by 488 and multiplied by 365.

F. Changes In Tax Measurement Year For Persons Staring Business Within Philadelphia After Tax Year 2001.

1. From Calendar To Fiscal.

Every person that changes its tax measurement year from a calendar to a fiscal year shall file its tax return for the tax year in which the change occurs based on the net income and the taxable receipts of the short fiscal year ending in the tax year.

Example: During the 2003 tax year "T" changed its tax measurement year from a calendar year to a fiscal year ending June 30. "T" shall file its 2003 BPT return, due April 15, 2004, based on the net income and the taxable receipts of the short period beginning on January 1, 2003 and ending June 30, 2003.

2. From Fiscal To Calendar.

Every person that changes its tax measurement year from a fiscal year to a calendar year shall file its tax return for the tax year in which the change occurs based on the combined net income and the combined taxable receipts of the fiscal year ending in the tax year and the short year ending on December 31st of the tax year.

Example: During the 2003 tax year, "U" changed its fiscal tax measurement year ending March 31 to a calendar tax measurement year. "U" shall file its 2003 return, due April 15, 2004, based on the combined net income and the combined taxable receipts of the fiscal year ending March 31, 2003 and the short period beginning April 1, 2003 through December 31, 2003.

3. From One Fiscal To Another Fiscal.

Every person that changes its tax measurement year from one fiscal year to another fiscal year shall file its tax return for the tax year in which the change occurs as follows:

a. When the new fiscal year ends in a month that comes later in the same tax year than the month in which the old fiscal year ends, the tax return for the tax year in which the change occurs shall be filed based on the combined net income and the combined taxable receipts of the fiscal tax measurement year and the short period ending in the tax year.

Example: During the 2003 tax year, "V" changed its tax measurement year ending March 31 to a tax measurement year ending September 30. "V" shall file its 2003 BPT return, due April 15, 2004, based on the combined net income and taxable receipts of the tax measurement year ending March 31, 2003 and the short period beginning April 2003 through September 30, 2003.

b. When the new fiscal year ends in a month that comes earlier in the tax year than the month in which the old fiscal year ends, the tax return for the tax year in which the change occurs shall be filed based on the net income and the taxable receipts of the new short fiscal year ending in the tax year.

Example: During the 2005 tax year, "W" changed its tax measurement year ending September 30 to a tax measurement year ending June 30. "W" shall file its 2005 BPT return, due April 15, 2006, based on the net income and the taxable receipts of the short period beginning on October 1, 2004 and ending June 30, 2005.

Signature______________________________________ Date______________

In reading the text, note the following:

1. Items bolded and in brackets are items deleted from the original text.
2. Underlined items are items added to the original text.