



Tax Information for Freelancers, Independent Contractors, & others paid on a 1099 (Non-employee compensation)

What & Why Do I Owe?

If you received payment for work performed in Philadelphia and the payer (employer/client) does not withhold [Philadelphia Wage Tax](#) on your behalf for that work because you are treated as an “independent contractor” (even if you don’t have employees), you are treated as a business by the City of Philadelphia. You are required to apply for a [Business Privilege License](#) to work in the City. The fee for this license is \$50 annually or a onetime cost of \$300. In addition to the license, you are liable to the City for paying tax on your earnings, since no Wage Tax is being withheld. While you should always check with a tax professional for advice on your particular tax liabilities, here is a general description what and why you may owe:

- If you are a Philadelphia resident and are paid for work on a 1099, you will owe [Net Profits Tax](#), even if the work was performed entirely outside the city.
- If that work takes place in the City, you will also owe [Business Privilege Tax](#).
 - Possible Exception: If facts indicate that you are actually an employee and your employer has misclassified you as an independent contractor, you may be eligible to pay the [Earnings Tax](#) instead of the Net Profits or Business Privilege Taxes.
- If you receive payment for work on a 1099, even if you also receive a W-2, you are still required to pay the appropriate City tax on your 1099 earnings.
- Even if your client or employer does not issue you a 1099 for any compensation you receive, you are still responsible for filing tax returns and making tax payments on any income earned.
- If you are not a Philadelphia resident, you will owe Business Privilege and Net Profits Taxes for any work performed in the city for which you receive a 1099.

If you are unsure about which taxes are applicable to you, please contact a qualified tax professional. It is your responsibility to identify and fulfill your tax obligations.

What Happens If I Don’t Pay?

The City uses Internal Revenue Service data and other tools to identify individuals who may be subject to Philadelphia taxes. The City or its agents may contact those who have not paid. Failure to file carries a \$5,000 fine, in addition to the tax principal and any interest and penalties assessed for late payments. Other consequences of failing to file and pay City of Philadelphia taxes include additional fees, referral of your debt to collection agencies, legal action, and seizure of property.

Help! I just realized that I need to pay.

As soon as you determine that you have a tax obligation to Philadelphia, please make arrangements to register and get an account number, file missing returns, and pay. If you come forward before the City contacts you to disclose any past liabilities, the Department of Revenue has programs available to help you avoid the penalties.

- Until June 25, 2010 – With the Philadelphia Tax Amnesty you will pay no penalties and only half the interest due. Visit www.PhillyTaxAmnesty.com or call 1-877-645-4108.
- At any time, the Department of Revenue’s Voluntary Disclosure program will work with you to reduce interest and penalties under \$10,000, if you call us before we find you. Call 215-686-6614.