

CITY OF PHILADELPHIA DEPARTMENT OF REVENUE

2006 Business Privilege Tax (EZ and Regular Returns)

Contents of This Booklet

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Change Form

Corporations are liable for the gross receipts and the net income portions of the Business Privilege Tax. Complete Business Privilege Tax Regulations are available at phila.gov/revenue.

If all business is conducted and/or located within Philadelphia:

File the 2006 Business Privilege - EZ return, Pages 1 and 2.

If business is conducted and/or located both in and out of Philadelphia:

File the 2006 Business Privilege Summary Page and the appropriate combination of Schedules A through E.

GENERAL INFORMATION

Do **not** staple or fold the tax return. Do **not** submit photocopies of the tax return. Additional returns may be downloaded at phila.gov/revenue. Do **not** submit blank or zero filled schedules.

Change Form -- If your business has terminated, changed address, organization or entity, use the enclosed Change Form. If you maintain a Business Privilege license but did not actively engage in business during 2006, you must complete the Change Form to indicate that you are not in business. **Do not file the 2006 Business Privilege return.** If you begin a business again with the same Federal Identification or Social Security number, you should reinstate your Philadelphia tax account number. In this scenario, you will not have to pay for an additional Business Privilege Tax license. If there was a change of business entity (e.g., individual proprietorship to corporation), you need a new Philadelphia Tax Account Number and Business Privilege License (a \$250 one-time fee). Register online for a tax account number at phila.gov/revenue in the "Online Services" section. A single Change Form can be used for all tax types.

Contact Information -- Call 215-686-6600 or send e-mail to revenue@phila.gov.

NEW! You can now file the 2006 Business Privilege EZ (BPT-EZ) and the 2006 Net Profits tax returns (NPT) online. Go to phila.gov/revenue then click on "Online Services".

Important Notes Concerning Online Filing

Only the 2006 BPT-EZ and 2006 NPT can be filed online. The 2006 Business Privilege Tax regular return or prior year returns cannot be filed online.

You are not required to submit copies of federal tax returns for BPT-EZ and NPT returns filed online.

Payment of tax due for returns filed online can be made with the preprinted coupons mailed to you or by credit card. A convenience fee of 2.49% is added to credit card payments.

You will receive an e-mail containing a confirmation number that indicates your online return was successfully filed.

WHEN AND WHERE TO FILE

The 2006 Business Privilege Tax is due by April 16, 2007. Failure to file a return by the due date could result in the imposition of fines and legal costs. Taxpayers unable to pay the tax due with the return must file the return and contact the Taxpayer Services Unit, Public Service Concourse, Municipal Services Building, 1401 John F. Kennedy Boulevard, Philadelphia, PA 19102, or call 215-686-6600 to discuss entering into a payment agreement.

TAX PAYMENTS

Payment of tax **MUST** be made separately from the filing of the tax return. **Payments of tax due is to be made with a payment coupon.** Preprinted coupons and a postage paid envelope are contained in the tax booklets mailed to all active business accounts. **Failure to use the provided coupons may result in delays in processing your payment.** Make a check or money order payable to the City of Philadelphia and mail to:

City of Philadelphia
Department of Revenue
P.O. Box 1393
Philadelphia, PA 19105-9731

ACH Debits and Credits are accepted for payment of Business Privilege Tax. To register for this program go to phila.gov/revenue in the "Electronic Filing" section under "Electronic Payments", or call 215-686-6628, 6459 or 2694.

TAX RETURNS

Remove both perforated labels from the envelope flap and choose the label that applies to either of the following situations.

A. If requesting a refund, use the label marked "Refund Due" and mail the return to:

Refund Due
City of Philadelphia
Department of Revenue
P.O. Box 1137
Philadelphia, PA 19105-1137

B. If you are not requesting a refund, mail the return to:

City of Philadelphia
Department of Revenue
P.O. Box 1660
Philadelphia, PA 19105-1660

Important! Do not use P.O. Box 1660 to remit tax payments; this box is used only for tax returns.

COMPUTATION OF INTEREST AND PENALTY

Month after Due Date	Returns Filed After Due Date	Interest	Penalty	Combined Interest & Penalty	Cumulative Interest & Penalty
1st	04/17/07 thru 05/15/07	1%	1%	2%	2%
2nd	05/16/07 thru 06/15/07	1%	1%	2%	4%
3rd	06/16/07 thru 07/15/07	1%	1%	2%	6%
4th	07/16/07 thru 08/15/07	1%	2%	3%	9%
5th	08/16/07 thru 09/15/07	1%	2%	3%	12%
6th	09/16/07 thru 10/15/07	1%	2%	3%	15%
7th	10/16/07 thru 11/15/07	1%	3%	4%	19%
8th	11/16/07 thru 12/15/07	1%	3%	4%	23%
9th	12/16/07 thru 01/15/08	1%	3%	4%	27%
10th	01/16/08 thru 02/15/08	1%	4%	5%	32%
11th	02/16/08 thru 03/15/08	1%	4%	5%	37%
12th	03/16/08 thru 04/15/08	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.

TAKE CREDIT WHERE CREDIT IS DUE

Remember to take credit for any 2006 BPT payments previously made.

- * Did you make an estimated payment for 2006 BPT when you filed the 2005 BPT return? a. _____
 - * Did you have a credit from overpayment for 2005 BPT that was applied to 2006 BPT? b. _____
 - * Did you make a payment against the 2006 BPT during the year as a result of a bill? c. _____
 - * Did you make a 2006 BPT extension payment? d. _____
- Total 2006 BPT Payments _____

Enter on Page 1, Line 6b of the BPT-EZ return or the Summary Page, Line 6b of the 2006 BPT return. You are entitled to these credits, be sure to use them.

MANDATORY 2007 BPT ESTIMATED TAX PAYMENT

If you continued business in Philadelphia after January 1, 2007, you are required to make an estimated payment for the 2007 BPT when you file the 2006 BPT return. This mandatory 100% estimated payment (which is entered on Line 4 of the 2006 BPT return) is an amount equal to the 2006 BPT due as entered on Line 3. Payment of this amount will exempt the taxpayer from interest and penalty on any tax balance due on a timely paid 2007 BPT return.

Taxpayers who believe their 2007 BPT liability will be less than their 2006 BPT liability may calculate a lower estimated payment. Enter the estimate for 2007 BPT on Line 4 of the 2006 BPT return and pay this amount. Do **NOT** enter "zero" as your estimate on Line 4 unless you terminated Philadelphia business activity prior to January 1, 2006. **However, if the amount due on the 2007 BPT return is higher than the estimate paid for 2006, you will be billed interest and penalty on the difference.** By paying an estimate less than the 2006 liability, you also waive the right to appeal the accelerated interest and penalty incurred on the estimated payment.

If you terminated Philadelphia business activity prior to January 1, 2007, no estimated payment is required. Place a "zero" on Line 4 of the 2006 BPT return and enter the termination date in the block provided above Line 1.

BASIS FOR FILING THE 2006 BUSINESS PRIVILEGE TAX RETURN

Calendar year taxpayer:

Receipts and net income from all business activity from January 1, 2006 to December 31, 2006.

Fiscal year taxpayer who started business in Philadelphia prior to 2006:

Gross receipts and net income from actual business activity in the 12 month fiscal period that ends during calendar year 2006. For example, if the fiscal year ended June 30, 2006 the basis would be the gross receipts and net income for the period July 1, 2005 through June 30, 2006.

Fiscal year taxpayer who started business in Philadelphia during 2006:

For a taxpayer that filed a federal fiscal year return for a period ending in 2006 that was for less than 12 months (a "short" period), the receipts and income from that "short" period would be the basis for filing the 2006 BPT return. A fiscal year taxpayer whose fiscal year did not end prior to December 31, 2006 would file the 2006 BPT using zero ("0") as the tax base.

TAXPAYERS THAT TERMINATED BUSINESS ACTIVITY DURING 2006

Calendar year taxpayer:

A calendar year taxpayer that terminated business activity in 2006 must file a 2006 BPT return based on the business activity during 2006.

Fiscal year taxpayer:

A fiscal year taxpayer that terminated business activity in 2006 must file a 2006 BPT return based on the rule provided under Section 203 (D)(2) or 203 (D)(3) of the BPT regulations, whichever is applicable. These regulations are available at phila.gov/revenue.

All taxpayers must enter the business termination date on Page 1 of the BPT-EZ or on the Summary Page of the BPT Regular return.

LOSS CARRY FORWARD

The basis for the loss carry forward to be used, if applicable, on the 2006 BPT return is derived from the figures reported on the 2003, 2004 and 2005 BPT returns.

<u>ILLUSTRATION</u>		<u>WORKSHEET</u>	
BPT Return	Current Year Income (Loss)		
Actual 2002	(100)	Total losses through 2004	<u>1000</u> _____
2003	(200)	Less: Expired 2002 BPT Loss	<u>100</u> _____
2004	(300)	Accumulated loss carry forward to be applied on the 2006 BPT	<u>900</u> _____
2005	(400)		

Enter the loss carry forward on Page 2, Line 3 or Schedule B, Line 10 or Schedule A, Line 10 as a positive number.

Losses incurred prior to the 2003 tax year cannot be carried forward; **the maximum loss carry forward period is 3 years.**

If your business terminated and you have an unused loss carry forward, any unused loss carry forward expired.

2006 BUSINESS PRIVILEGE TAX EXTENSION WORKSHEET

This is an extension worksheet to be used when figuring the amount of **Business Privilege Tax** you owe. You must file an actual return by the extension due date to satisfy filing requirements. If an extension of time has been obtained from the Internal Revenue Service for filing your corporate tax return, the corresponding return is due on or before the due date of the Federal extension or 6/15/2007, whichever is later. **You must pay 100% of the estimated tax due by April 16, 2007. Filing an extension coupon does not extend the time to pay the tax.** Interest and penalty shall be added to the amount of tax not paid by the statutory due date. You will not receive written confirmation of your extension request.

NOTE: If you have filed for an automatic federal extension but do not believe you will owe any tax, you do not need to file an extension coupon.

1. 100% of estimated 2006 Business Privilege tax due.....1.	<table border="1" style="width: 100%; height: 20px;"> <tr> <td style="width: 20px;"> </td><td style="width: 20px;"> </td> </tr> </table>									.	0 0
2. Mandatory 2007 BPT estimated payment (repeat Line 1).....2.	<table border="1" style="width: 100%; height: 20px;"> <tr> <td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td> </tr> </table>									.	0 0
3. Total Tax Due (Line 1 plus Line 2).....3.	<table border="1" style="width: 100%; height: 20px;"> <tr> <td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td> </tr> </table>									.	0 0
4. Other payments and credits you expect to report on the 2006 BPT-EZ return, Page 1, Line 6c or the 2006 BPT return, Summary Page, Line 6c.....4.	<table border="1" style="width: 100%; height: 20px;"> <tr> <td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td> </tr> </table>									.	0 0
5. Tax Balance Due (Line 3 minus Line 4) Enter on the Extension Coupon. If Line 4 is greater than Line 3, no extension coupon is needed.....5.	<table border="1" style="width: 100%; height: 20px;"> <tr> <td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td> </tr> </table>									.	0 0

Job Creation Tax Credit – The City of Philadelphia has enacted a Job Creation Tax Credit against Business Privilege Tax liability (Philadelphia Bill #020116). Under the Job Creation Tax Credit program, eligible taxpayers may claim a BPT credit of \$1,000 for each qualified new full-time job created in the City. **You must apply for and be accepted into this program before any Job Creation Tax Credit may be taken.** For more information on this program, visit phila.gov/revenue or call 215-686-6432.

Federal Form #1099 -- mail copies to: Philadelphia Department of Revenue - Forms Processing Unit - Concourse - Municipal Services Building - 1401 John F. Kennedy Boulevard - Philadelphia, PA 19102.

There is no transmittal for filing Form #1099. Employers with 50 or more Federal #1099 forms must file those forms electronically, preferably on a Compact Disc (CD). The record format is the same used by the Internal Revenue Service.