

Job Creation Tax Credit

BACKGROUND

In 2003, the City of Philadelphia enacted a Job Creation Tax Credit, which may be applied against Business Privilege Tax liability to stimulate economic activity and help Philadelphia firms grow. Under the program, eligible businesses may claim a credit of an amount equal to \$1,000 or 2% of the annual wages paid, whichever is higher, for each qualified new full-time job created in the City of Philadelphia.

In June 2009, the program was amended to provide larger credits for new full-time jobs created in 2010 and 2011. Any new application filed after the effective date of this new enactment will allow eligible businesses to claim a credit of an amount equal to \$3,000 or 2% of the annual wages paid, whichever is higher, for each new full-time job created in 2010 or 2011, up to the maximum amount specified in a commitment agreement.

In January 2011, the program was further amended to provide a special tax credit opportunity for new full-time jobs created in 2012 and 2013. Any new application filed after the (January 5, 2011) effective date of this new enactment will allow eligible businesses to claim a credit of an amount equal to \$3,000 or 2% of annual wages paid, whichever is higher, for each new full-time job created in 2012 and 2013, up to the maximum amount specified in a commitment agreement.

Approved applicants filing applications after June 24, 2009 are eligible for the larger tax credit for each full-time job created in 2010 and 2011. Approved applicants filing applications after January 5, 2011 are eligible for the larger tax credit for each full-time job created in 2011, 2012 and 2013. Program participants already enrolled in the program or any approved applicants creating jobs in years other than 2010, 2011, 2012 or 2013 will continue to be eligible to receive credits in the amount of \$1,000 or 2% of the annual wages paid for each qualified new full-time job.

ELIGIBILITY

To qualify for the credit, a business must demonstrate the ability to create at least 25 new full-time jobs, or increase full-time workforce by at least 20% within the required 5-year period. The business must also demonstrate financial stability, project viability and the intention to maintain operations within the City for a period of 5 years from the date the tax credit certificate is submitted to the Philadelphia Department of Revenue.

In order to qualify, a new job must be full-time and have an average hourly rate at least 150% of the federal minimum wage. The job must be created in Philadelphia within 5 years of the start date, which is defined by regulation – the date upon which a business may begin creating eligible jobs. The credit is available for a period of 5 years after a business receives the tax credit certificate, but in no case longer than eight (8) years from the start date. The credit may be recaptured in the event that the business fails to create the required number of jobs or maintain existing operations.

PROVISIONS

At least 25% of all tax credits that may be approved in any year shall be available to applicants with twenty-five employees or less. An applicant will not receive tax credits for new jobs created prior to the start date.

An applicant may not receive tax credits for relocating operations from one location to another location in Philadelphia.

Tax credits may not be converted to cash and no business may claim or receive a tax credit under this section unless the business is in full compliance with all Philadelphia tax laws, ordinances and regulations.

APPLICATION PROCEDURE

Businesses should submit a complete application to the Philadelphia Department of Revenue. If the application is approved, the Department will issue a commitment agreement. After the commitment agreement is fully executed, and the Department determines job creation pursuant to the agreement, the business shall receive a Job Creation Tax Credit Certificate containing the number of new jobs to be credited and the maximum job credit the business may claim.

For more information about the Job Creation Tax Credit, please refer to Section 19-2604(7) of The Philadelphia Code.