

**AMENDMENT TO THE DEPARTMENT**  
**OF REVENUE BUSINESS PRIVILEGE**  
**TAX REGULATIONS**

**CREDITS**

Section 501. Credits For Contributions to Community Development Corporations.

A. Definitions

1. Applicant. A business that enters into a contribution agreement with the City of Philadelphia.
2. Code. The Philadelphia Code.
3. Community. A geographic location within the City of Philadelphia (but not the entire City) designated in comprehensive plans, ordinances, or other local documents as a neighborhood, village, or similar geographical designation.
4. Contribution agreement. A written agreement between the applicant and the City of Philadelphia whereby the applicant agrees to contribute \$100,000 per year for ten consecutive years to a Qualifying Community Development Corporation (QCDC). Refer to Section 501(c) for early termination of a contribution agreement.
5. Department. Department of Revenue.
6. Economic Development. Activities that increase economic opportunity for individuals or that stimulate or retain businesses or permanent jobs. For purposes of this Tax Credit, economic development does not include activities for the development of housing, education, recreation, or religious facilities, or related activities.
7. Qualifying Community Development Corporation ("QCDC"). A QCDC is an organization that meets all of the following requirements:

- a. The organization is a nonprofit organization, which has a ruling from the Internal Revenue Service that the organization is exempt from income taxation under the provisions of section 501(c)(3) of the Internal Revenue Code.
- b. The organization is a community development corporation that promotes economic development in economically distressed neighborhoods. For purposes on this regulation only, examples of economic distress include but are not limited to high unemployment, vacant commercial industrial properties, or blighting effects of deferred public or private maintenance to commercial areas of a neighborhood.
- c. The organization is an association or corporation organized under Pennsylvania law as a non-profit corporation.
- d. The organization engages in community development activities (which must include economic development activities) primarily within an identified geographic area.
- e. The organization engages in activities that improve the physical, economic or social environment of an economically distressed area by addressing one or more critical economic problems of the area.
- f. The organization engages in community economic development activities that increase economic opportunity for individuals, or stimulate or retain businesses and/or permanent jobs.
- g. The organization has prior experience of conducting economic development activities in the City of Philadelphia. The “prior experience” requirement can be met if the organization has

developed a clearly defined plan for undertaking economic development activities which address the specific issues of economic distress in its community and has engaged employees or consultants at the time of its application to undertake these activities.

h. The organization must be in full compliance with all Federal, State, and City laws, ordinances, and resolutions.

8. Tax Credit. A credit against the business privilege tax liability of businesses that sponsor a Qualifying Community Development Corporation, by contributing \$100,000 per year over a ten-year period. A credit of \$100,000 per year will be applied against the applicant's business privilege tax liability for each year the applicant contributes \$100,000 in cash to a QCDC.

## B. Eligibility

### 1. Applicant - Eligibility

- a. An applicant must be a business, as defined in Section 101 (D) of these regulations.
- b. An applicant must be a business in full compliance with all Federal, State, and City laws, ordinances and resolutions.
- c. The applicant must contribute \$100,000 in cash per year in accordance with the contribution agreement.
- d. The applicant may not provide funds to a QCDC that is already receiving funds under this program.
- e. An applicant who is currently participating in the Commonwealth of Pennsylvania Neighborhood Assistance Program/Comprehensive Service Program (NAP/CSP) shall not

use the NAP/CSP contributions as credit towards the Contributions to the City of Philadelphia's Business Privilege Tax Credits.

- f. Applicant must be partnered with a Community Development Corporation that maintains its eligibility as a QCDC.
- g. On or before November 15<sup>th</sup> of each year, the applicant must submit a renewal application and report form to the Department which at a minimum would include information detailing its payment to the QCDC, the QCDC's expenditures to date and QCDC's activities and accomplishments under this program. The applicant is responsible for obtaining any information or certification requested by the Department from the applicant's partner, the QCDC. Failure to complete and file the renewal application and report form by November 15<sup>th</sup> will result in the applicant losing its eligibility to participate in the program for any future tax years.

## 2. Community Development Corporation - Eligibility

- a. A Community Development Corporation is eligible to partner with an applicant if it meets the definition of a QCDC.
- b. To maintain its eligibility on an annual basis, a Community Development Corporation must continue to meet the definition of a QCDC and must expend the proceeds of the contribution agreement in a manner consistent with its status as a QCDC.

- C. Termination of Contribution Agreement

1. The applicant may terminate its contribution agreement with the City at any time. An applicant that terminates a contribution agreement will not lose any tax credits for which it was eligible for prior contributions made under the contribution agreement. The applicant will not be eligible to apply for any future tax credit for contributions to a QCDC.
2. If an applicant terminates its contribution agreement, a new applicant may apply to receive tax credits under this section, provided that such tax credit shall be limited to the number of years that are remaining on the terminating applicant's contribution agreement. The new applicant must be nominated by the existing QCDC and must complete and file a tax credit application that is approved by the Department. The new applicant must enter into a contribution agreement with the City under which it agrees to make cash contributions of \$100,000 per year to the same QCDC which was the recipient under the terminating applicant's contribution agreement and for the number of years remaining under that agreement.
3. Upon the annual review of the applicant's renewal application and report form, the Department will determine before December 31<sup>st</sup> of each year whether the applicant will be eligible to participate in this tax credit program for the following year. Failure of the Community Development Corporation to make expenditures of the \$100,000 annual contribution in furtherance of its qualified status as a QCDC will result in the applicant losing its eligibility to participate in this tax credit program for any future tax year. An applicant that is no longer eligible to participate in this tax credit

program will not lose any tax credit for which it was eligible for prior contributions made under the contribution agreement.

4. If an applicant is no longer eligible to participate in this tax credit program as a result of the disqualification of the QCDC, the Revenue Commissioner may request that new applications for tax credit be submitted. A new applicant shall be selected in the same manner prescribed in Section 501(F)(3). A new applicant may apply to receive tax credits under this section, provided that such tax credits shall be limited to the number of years that are remaining on the terminating applicant's contribution agreement. The new applicant must enter into a contribution agreement with the City under which it agrees to make cash contributions of \$100,000 per year to a new QCDC and for the number of years remaining under the terminated contribution agreement.

#### D. Tax Credit

1. An applicant must calculate its business privilege tax liability in accordance with Philadelphia Code §19-2600.
2. An applicant shall receive a tax credit of \$100,000 per year against its business privilege tax liability for each year the business contributes \$100,000 in cash to a QCDC under the terms and conditions of this section. Applicants whose contributions exceed \$100,000 will not be entitled to any additional tax credit. Applicants whose contributions are less than \$100,000 will not receive any tax credit.
3. Any tax credit not used in the period the contribution was made may not be carried forward or carried backward.
4. No credit will be given to any contribution made prior to receiving approval from the Department.

5. Tax credit shall be available to up to ten applicants that enter into a contribution agreement with the City.
6. Tax credits are non transferable and may be used only by the contributing business.
7. Except as provided in section 501 D (7) (i) (ii), the tax credit will begin in the base year rather than the privilege year in which the contribution was made. (Refer to section 203 of the BPT regulations)
  - (i) Applicants commencing business in Philadelphia during the calendar year preceding the tax year are required to take the credit on the privilege year in which the contribution was made.
  - (ii) Applicants subject to section 501 D (7) (i) may not carry forward the tax credit to the succeeding privilege year.

#### E. Administrative Requirements

1. No applicant may claim or receive a tax credit under this section unless the applicant is in full compliance with all Philadelphia tax laws, ordinances, and regulations.
2. If an applicant makes an annual payment of less than \$100,000 to a QCDC, the applicant must petition the Revenue Commissioner to be reinstated in the program.

#### F. Procedure for Obtaining Tax Credit.

1. A business that wants to apply for the tax credit, must complete the tax credit application form provided by the Department and must file the completed application form with the Revenue Commissioner, Room 630, Municipal Services Building, 1401 JFK Boulevard, Philadelphia, Pennsylvania 19102.

2. The business must file the completed application form with the Department no earlier than 9:00 am, Eastern Time on September 23, 2002 unless a later date is specified by the Department. Applications received by the Department prior to 9:00 am, Eastern Time on September 23, 2002 will be deemed to have been received by the Department on September 23, 2002 between the hours of 9:00am, Eastern Time and 4:00pm Eastern Time, unless a later date is specified by the Department.
3. Up to ten (10) qualified Applicants will be selected on a “first come-first served” basis. When necessary the Department will choose among the applicants that apply on the same date on a random basis pursuant to a public drawing as specified by the Revenue Commissioner. Applications received on the same date by the designee of the Department between 9:00 am, Eastern Time, and 4:00 pm, Eastern Time, will be considered received at the same time.
4. If a selected applicant submits an incomplete application, the applicant will be notified by the Department that the application is incomplete. The applicant will be allowed 14 calendar days from the mailing date of the notice letter to cure the failure. If within 14 calendar days the failure is not cured to the satisfaction of the Revenue Commissioner, the application will be denied and another applicant will be selected on a “first come-first served basis” based on existing filed applications.

#### G. Appeal Rights.

A business may challenge an adverse decision of the Department by filing an appeal with the Office of Administrative Review within 30 calendar days of the mailing date of the adverse decision letter.