



Bill number: 251026

Introduced by: Driscoll

Cosponsor(s): Phillips, Lozada, Young, Brooks, Harrity, O'Rourke, O'Neill, Squilla

Assigned committee: Finance

Date introduced: 11/20/2025

Fiscal Note

Overview

This bill would exempt businesses owned and operated as a sole proprietorship by an individual or single-member limited liability company whose sole member is an individual from the Business Income and Receipts Tax (BIRT). The anticipated cost to the City is approximately \$118 million over five years.

Legislative Summary

The Philadelphia BIRT is a two-part tax on a business' gross receipts and net income. Currently, City law lists certain types of businesses that are exempt from paying BIRT. For example, certain types of non-profit organizations are included in this list. This bill would add individually owned and/or operated businesses to this list of exempted businesses, such as:

- sole proprietorship businesses and
- single-member limited liability companies whose sole member is an individual.

Proposed Effective Date

The BIRT exemption would apply for tax year 2026 and the ordinance would take effect on July 1, 2026.

Fiscal Impact Analysis

The Philadelphia BIRT is a two-part tax on a business' gross receipts and net income. This legislation would exempt any business owned and operated as a sole proprietorship by an individual or any single-member limited liability company whose sole member is an individual from paying BIRT. The Department of Revenue estimates that nearly 55 percent of current BIRT taxpayers would qualify for this exemption.

Revenue

The estimated cost of implementing this legislation is summarized in the following tables. The total cost is estimated to be approximately \$118 million over five years.

Fiscal Impact Summary	FY26	FY27	FY28	FY29	FY30	Total
Revenues Increase/(Decrease)						
BIRT Revenue	-	(\$58,109,657)	(\$58,109,657)	(\$58,109,657)	(\$58,109,657)	(\$232,438,628)
Revenues Increase/(Decrease)						
Net Profit Tax (NPT) Revenue	-	\$28,580,358	\$28,580,358	\$28,580,358	\$28,580,358	\$114,321,432
Net Cost	-	(\$29,529,299)	(\$29,529,299)	(\$29,529,299)	(\$29,529,299)	(\$118,117,169)

The Department of Revenue estimates businesses that would qualify for this exemption account for more than half of the total businesses that submitted a tax return for 2023. The above table demonstrates the estimated annual \$58.1 million decrease in BIRT revenue and \$28.6 million increase in NPT revenue. The above fiscal impact assumes no changes in business structure. The Department of Revenue anticipates businesses may change their business structure specifically to take advantage of the exemption, which will increase potential revenue losses. If this legislation is enacted, the exemption would be effective in tax year 2026. Therefore, the tax exemption would not apply until Fiscal Year 2027. The table above reflects this delay with no fiscal impact in Fiscal Year 2026.

The decrease in BIRT revenue is offset by a projected increase in NPT tax revenue of about \$28.6 million per year. NPT is a tax imposed on the net profits from the operation of trade, business, profession, enterprise, or other activity. Businesses that pay both the BIRT and NPT receive credit towards their NPT liability. The credit is equal to 60 percent of the Net Income portion of their BIRT liability. This legislation would exempt certain businesses from paying BIRT, therefore eliminating their credit and increasing their NPT liability.

Expenditures

Fiscal Impact Summary	FY26	FY27	FY28	FY29	FY30	Total
Expenditure Increase/(Decrease)						
Class 200: Purchase of Services	-	\$145,000	-	-	-	\$145,000
Net Cost	-	\$145,000	-	-	-	\$145,000

Department of Revenue

The Department of Revenue anticipates that implementing this legislation would require significant programming changes to the City's tax system, including changes to the City's BIRT tax return forms. These programming changes are estimated to cost \$60,000, including updates to online tax forms and applications. The Department would need to allocate resources towards an education and outreach campaign to inform businesses about the exemption. The outreach costs are estimated to be \$85,000. These expenditures would be a one-time cost incurred in Fiscal Year 2027.

Department of Commerce

The Department anticipates absorbing the customer service responsibilities resulting from the enactment of this legislation within its existing resources. However, implementation would require educational components for both internal and external stakeholders. Commerce has partnerships with local chambers of commerce, business improvements districts, and business associations. Any modification to business requirements in the City of Philadelphia would prompt Commerce to educate and train its current staff about the regulation and create plans for best practices to assist businesses with compliance following implementation.

The enactment of this legislation would likely impact the availability of funding for the Department of Commerce's Jumpstart Small Business Support Initiative. As part of the City's Fiscal Year 2026 budget, the Department of Commerce received \$38.5 million to fund the Jumpstart Small Business Support Initiative. The Proposed FY27-31 Five Year Plan continues this investment with \$38.5 million proposed in Fiscal Year 2027 and \$30 million in each subsequent year of the Proposed Plan (FY28-31).

Legislative History

2004

Bill 040789 - Lapsed

Bill number 040789 was introduced by former Councilmember Clarke, but the bill lapsed and never became law. Amongst other things, the bill would have created a temporary BIRT exemption for new businesses.

2010

Bill 100754 - Enacted

Bill number 100754 was introduced by former Councilmember Green and signed into law on June 15, 2011. Similar to bill number 251026, this bill created a new BIRT exemption for certain types of businesses. Amongst other things, this bill created a BIRT exemption for persons exclusively engaged in a hobby or other not-for-profit activity.

2011

Bill 130009 - Enacted

Bill number 130009 was introduced by former Councilmember Green and signed into law on June 25, 2013. This bill updated the list of businesses exempted from BIRT liability by expanding the definition of non-profit organizations.

2025

Bill 250199 - Enacted

Bill number 251099 was introduced by Councilmember Gilmore Richardson on behalf of Council President Johnson and signed into law on June 13, 2025. Amongst other changes, this bill ended a tax exemption policy. The policy allowed taxpayers to exempt the first \$100,000 of taxable receipts from their business privilege tax.

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Date: 03/17/2026

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