

CITY OF PHILADELPHIA



JOB CREATION TAX CREDIT

2008 ANNUAL REPORT

Submitted by:

The City of Philadelphia, Department of Revenue

January 2009

As required by Section 19-2604(7)(g) of The Philadelphia Code

Job Creation Tax Credit

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JOB CREATION TAX CREDIT OVERVIEW

The Job Creation Tax Credit program was established in May 2002 to encourage businesses to expand employment within the City of Philadelphia. It is based on the Commonwealth of Pennsylvania's Job Creation Tax Credit program and offers a credit against the firm's Business Privilege Tax liability for each new job created. The program can be utilized by companies of any type or size located anywhere in the city. The Department of Revenue is designated to implement and oversee the program.

Application forms and procedures were developed and incorporated in amendments to the Business Privilege Tax regulations and became effective at midnight on March 23, 2003. The program was amended in 2004 upon the Mayor's signing of Bill No. 040640AA to allow firms to receive a credit of either \$1,000 or 2 percent of wages paid for each new job. The program was further amended in November 2006 with the signing of Bill No. 060630 that increased the credit given for the hiring of ex-offenders from \$1,000 to \$5,000.

Information about the program is available on the Department of Revenue's website at www.phila.gov/revenue and other local government websites related to economic development.

Through 2008, 43 firms are participating in the program, promising the creation of 3,195 jobs. To date, 347 jobs have been certified as created, resulting in \$347,233 in Business Privilege Tax credits being awarded, of which \$250,650 has been redeemed.

HOW THE JOB CREATION TAX CREDIT WORKS

The Job Creation Tax Credit program offers credits against firms' Business Privilege Tax liability if they create either 25 new jobs or increase the number of employees by at least 20 percent within five years of the designated start date. Program participants must also commit to maintaining operations in Philadelphia for five years. The annual amount of credits available for award is limited to one percent of the prior year's Business Privilege Tax collections. Of that amount, 25 percent is reserved for small businesses and firms that hire ex-offenders.

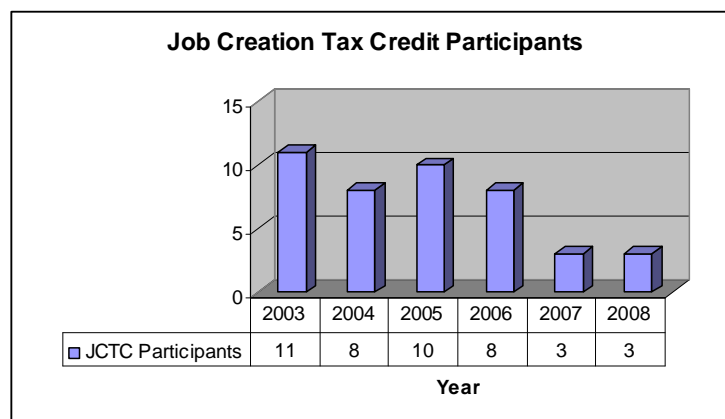
Interested firms submit applications to the Department of Revenue. Upon acceptance to the program, an agreement is executed between the business and the City that sets forth the designated start date and the number of jobs to be created. A business has up to five years to create the agreed upon number of jobs. Upon doing so, the firm asks the Department of Revenue to certify the number of jobs created and wages paid. The Department of Revenue conducts a payroll review of the company's records to compare the number of jobs when the firm entered the program with the number of jobs at the time of review. Firms that create fewer than the agreed upon number of jobs do not receive any credit unless a waiver is granted by the Department of Revenue.

If the Department of Revenue is satisfied that the appropriate number of jobs have been created, the Department issues a certificate stating the amount of credit the firm is entitled to, either \$1,000 or 2 percent of the annual wages for each job. The firm can redeem the certificate for a tax credit either all at once or spread out over three years from the issuance of the credit. The program allows companies up to 8 years from entering the program to claim credits.

JOB CREATION TAX CREDIT PROGRAM ACTIVITY

PARTICIPATING COMPANIES

At the close of 2008, there were 43 companies participating in the Job Creation Tax Credit program, with 3 new companies joining the program in 2008. These businesses have received and signed commitment agreements. Eight additional firms applied in 2008 and their applications are pending review and completion of the signed agreement.

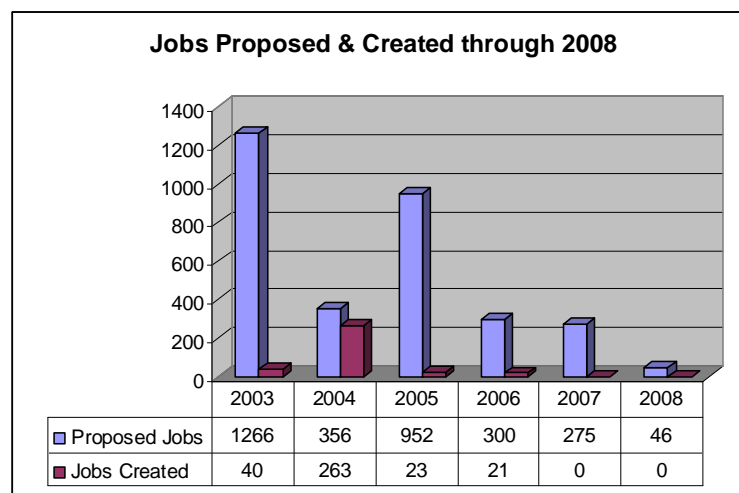


Participating firms represent at least a dozen industries. Companies engaged in Retail Trade represent the largest segment of participants, with 8 firms. Finance, Insurance, and Real Estate entities are nearly a quarter of the participating businesses. Although Healthcare and Education are significant segments of the Philadelphia economy, they represent less than 10 percent of participants. This may be explained by the fact that many organizations in these sectors are nonprofits that do not have Business Privilege Tax liabilities to begin with.

INDUSTRY	NUMBER OF PARTICIPANTS
Construction	1
Manufacturing	4
Retail Trade	8
Transportation	1
Information	4
Finance & Insurance	6
Real Estate	4
Professional	5
Administrative Services	3
Educational Services	1
Health Care	3
Food Services	1
N/A	2
TOTAL	43

JOB CREATION

Overall, participating firms have committed to generating 3,195 new jobs in the city. The chart below illustrates the number of proposed new jobs and the number of jobs certified as created. In 2003, the first year of the program, 1,266 jobs were proposed, of which 40 have been created to date. Approximately half the positions committed to in 2003 were by a firm that is no longer in business, and thus the full 1,266 jobs are not expected to be produced. Through 2008, 347 (10.9%) of all proposed new jobs have been certified as created by the Department of Revenue. As firms have 5 years from the start date of participation to create the positions, the percentage of jobs actually created may grow in the coming years.



TAX CREDITS

Following certification of job creation, participating firms are awarded certificates for the tax credit, either \$1,000 or 2% of the annual wage for each job created. Since the inception of the program, the Department of Revenue has certified \$347,233 in Business Privilege Tax credits, of which \$250,650 have been claimed by participating firms. Firms have up to 3 years from the date of receiving the certificate to use the credit. If all currently proposed jobs are certified as created, at least an additional \$2.8 million in credits would be issued.

CONCLUSION

There are no immediate recommendations regarding the continuation or modification of the Job Creation Tax Credit program.