

CITY OF PHILADELPHIA



JOB CREATION TAX CREDIT

2015 ANNUAL REPORT

Submitted by:

The City of Philadelphia, Department of Revenue

July 1, 2016

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

Key Stats for the Job Creation Tax Credit

- 10 applications approved in 2015 (an additional 13 applications received in 2015 have been approved in 2016 to date).
 - The 10 applications approved in 2015 promised 336 jobs (the additional 13 applications promised another 241, for a total of 577).
- There have been 143 applications approved between 2002 and 2015, promising 7,640 jobs.
 - To date, 1,503 have been created.
 - 342 of those were created in 2015.
- \$3.5 million in credits have been awarded to businesses for jobs created since 2002.
 - \$1,637,110 in credit certificates were issued in 2015.
- \$1.9 million in credits have been used since 2002.
 - \$231,171 in credits were used in 2015.

History

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 Income and Receipts 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.

Initially, the program allowed firms to receive a credit of either \$1,000 or two-percent (2%) of annual wages paid, whichever is higher, for each new job. The program was amended in 2006 to provide a \$5,000 credit for the hiring of Returning Citizens. For applications filed after June 24, 2009, there was a Special Tax Credit Opportunity for Job Creation in 2010 and 2011 whereby a firm may receive a tax credit in the amount of \$3,000 or two-percent (2%) of annual wages paid, whichever is higher, for each new job. This Special Tax Credit Opportunity was extended for job creation in 2012 and 2013 for applicants filing after January 5, 2011. The Special Tax Credit Opportunity provided \$5,000 or two-

percent (2%) of annual wages paid, whichever is higher, for Job Creation in 2012 and each year thereafter for any applications filed on or after March 15, 2012. For applications filed after October 29, 2014 (for jobs created in calendar year 2015 only), the Special Tax Credit Opportunity gives \$5,000 per year for five (5) years or (2%) of annual wages paid, whichever is higher.

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.

Results-to-Date

From the inception of the program through the end of 2015, two hundred fifty seven (257) businesses have applied to participate in the program; one hundred and forty-three (143) firms were approved for participation in the program, promising the creation of 7,640 jobs. The five year period allowed by the Ordinance to create new jobs has expired for ninety (90) of these one hundred and forty-three (143) businesses, as of the end of 2015. Of these ninety (90) businesses, fifty-three (53) did not create the number of jobs promised. Therefore, the number of promised jobs to be created is reduced from 7,640 to 4,093. To date, 1,503 jobs have been verified as new job creation under this program, resulting in the issuance of \$3,570,801 in tax certificates, of which \$1,948,894 has been claimed.

HOW THE JOB CREATION TAX CREDIT WORKS

The Job Creation Tax Credit program offers credits against firms' Business Receipts and Income 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 total amount of credits available for award is now limited to two percent of the prior year's Business Income and Receipts Tax collections. Of that amount, 25 percent is reserved for small businesses and firms that hire Returning Citizens.

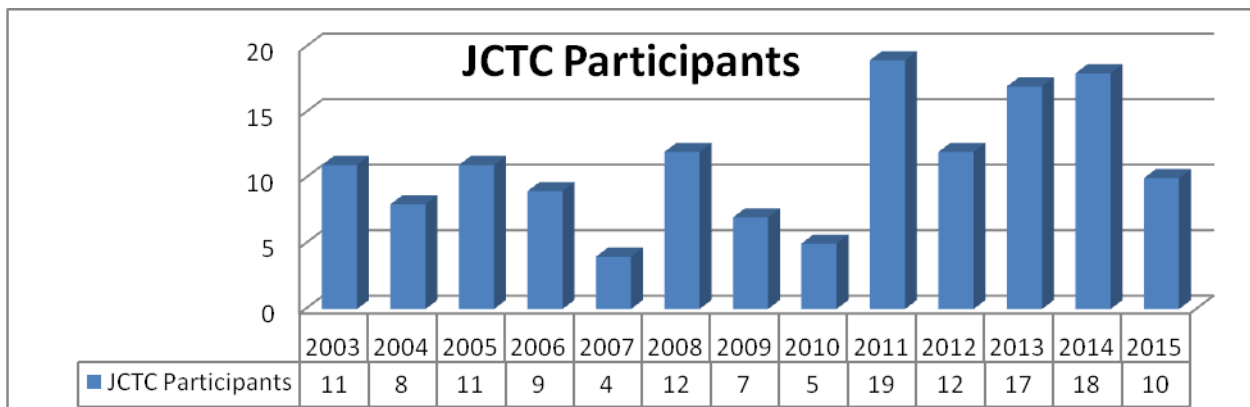
Interested firms submit applications to the Department of Revenue. Upon acceptance to the program, an agreement is executed between the business and the City that sets forth the designated start date and the number of jobs to be created. A business has up to five years to create the agreed upon number 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 fail to substantially maintain existing operations for five years from the date the Tax Credit Certificate is first submitted to the Department or that fail to create the agreed upon number of jobs are required to refund the total amount of the credit or credits issued 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 Tax Credit Certificate stating the amount of credit the firm is entitled to. The firm can redeem the certificate for a tax credit either all at once or over five years from the issuance of the tax certificate. The program allows companies up to 8 years from the designated start date to claim the tax credits. For those applying after October 29, 2014, a business may claim in each of five (5) years a tax credit of \$5,000 or two-percent (2%) of annual wages paid, whichever is higher for each new job created in calendar year 2015 only.

JOB CREATION TAX CREDIT PROGRAM ACTIVITY

PARTICIPATING COMPANIES

As of the close of 2015, one hundred and forty-three (143) companies have a fully executed Job Creation Commitment Agreement (“Agreement”) with the Department. Of these, ninety (90) have had the five year period to create the new jobs expire. There are fifty-three (53) remaining participants at the close of 2015 who have the ability to claim a tax credit for creating new jobs. The chart reflects the year in which the approved applicants Agreements were fully executed as of the end of 2015.

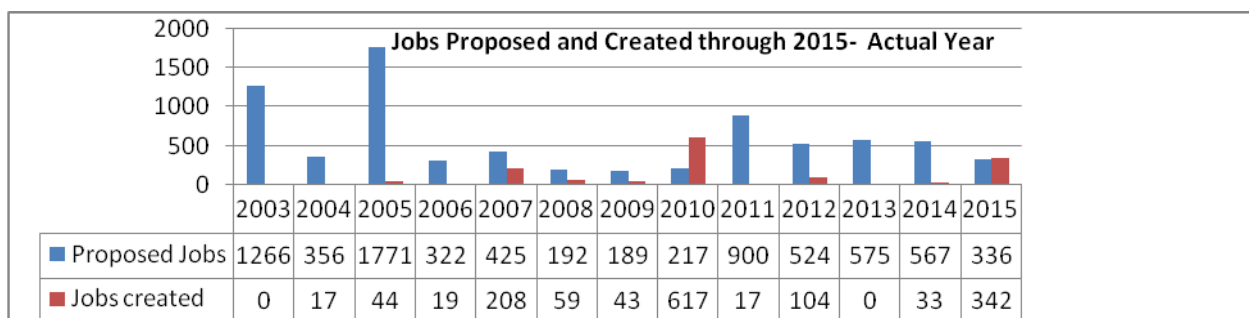


Participating firms represent at least a dozen industries over the life of the program. Companies engaged in Retail Trade and Professional Services represents the largest segment of participants, with 71 firms. Manufacturing, Information, Finance & Insurance, and Real Estate entities represent 28 percent 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 Income and Receipts Tax liabilities.

INDUSTRY	NUMBER OF PARTICIPANTS
Construction	1
Manufacturing	16
Retail Trade	16
Transportation	2
Information	10
Finance & Insurance	10
Real Estate	4
Professional Services	55
Administrative Services	6
Educational Services	1
Healthcare	7
Food	4
Other	11
TOTAL	143

JOB CREATION

Overall, participating firms committed to generating 7,640 new jobs in the City. Fifty-three (53) participants, whose five-year period to create jobs have expired, have not fulfilled their commitment. Hence, 3,547 of the promised 7,640 new jobs are not expected to be created. The chart below illustrates the number of proposed new jobs by businesses with fully executed Agreements as of the end of 2015 and the number of jobs certified as created in each year. 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. Through 2015, 1,503 (20%) of all proposed new jobs have been certified as created by the Department of Revenue. As firms have 5 years from the designated start date to create the positions, the percentage of jobs actually created may grow in the coming years.



TAX CREDITS

In 2015, 342 jobs were created resulting in the issuance of \$1,637,110 in tax certificates. In 2015, \$231,171 in tax credits were used. Since the inception of the program through the end of December 2015, the Department of Revenue has issued \$3,570,801 in tax certificates, of which \$1,948,894 tax credits have been claimed by (31) participating firms against the Business Income and Receipts Tax liability. Businesses have 5 years from the date of issuance of the certificate to claim the credit, but in no case can it be longer than 8 years from the designated start date.