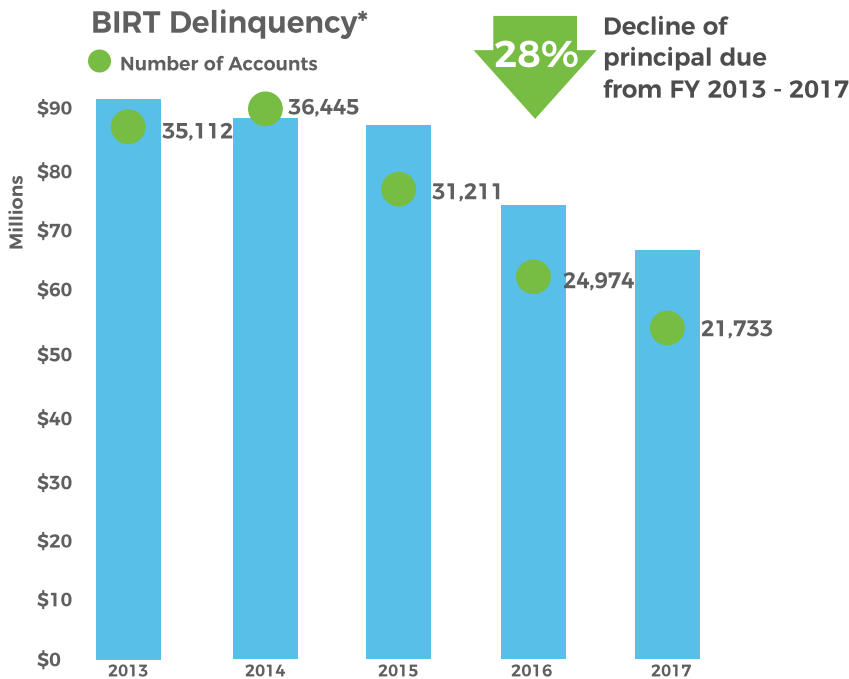


Business Income and Receipts Tax Delinquency in Philadelphia

The BIRT is a tax on business activity in the City of Philadelphia. The City collected \$457.8 million in BIRT revenue in FY 2017. The shift to single sales factor apportionment in TY 2015 and the increase in exclusions to the first \$100,000 in receipts in TY 2016 increased the number of businesses that do

not have a BIRT liability by 60,000 - 2/3rds of all registered businesses. Of the nearly 22,000 delinquent businesses, 2/3rds are closed. The City of Philadelphia's efforts to reduce delinquency by using technology and strategic enforcement have reduced delinquent businesses and principal owed.

How are our collection efforts going?



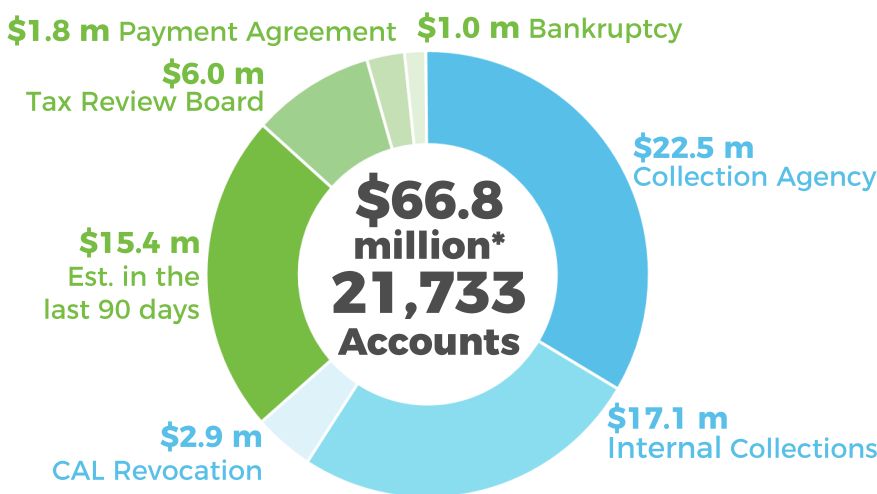
Improved collections have pushed delinquency down

Revenue has increased collections by:

- Improving discovery and audit procedures to uncover previously unidentified amounts due
- Expanding efforts to enroll businesses into payment plans
- Utilizing the data warehouse to identify Commercial Activity License (CAL) Revocation candidates
- Earlier, more frequent placement of accounts with collection firms

*Principal only: refers to all delinquent periods

Moving the needle on delinquent BIRT collections



2 in 3 delinquent businesses are closed, and owe **59%** of the principal tax due*

Did you know?

The CAL Revocation program revokes the activity licenses of businesses that fail to pay the City, forcing the business to stop operations. Most taxpayers opt to comply rather than close. In 2017, almost 80% of delinquent businesses complied and paid \$3 million in BIRT principal to the City.

36% is "non-Actionable" 64% is "Actionable"

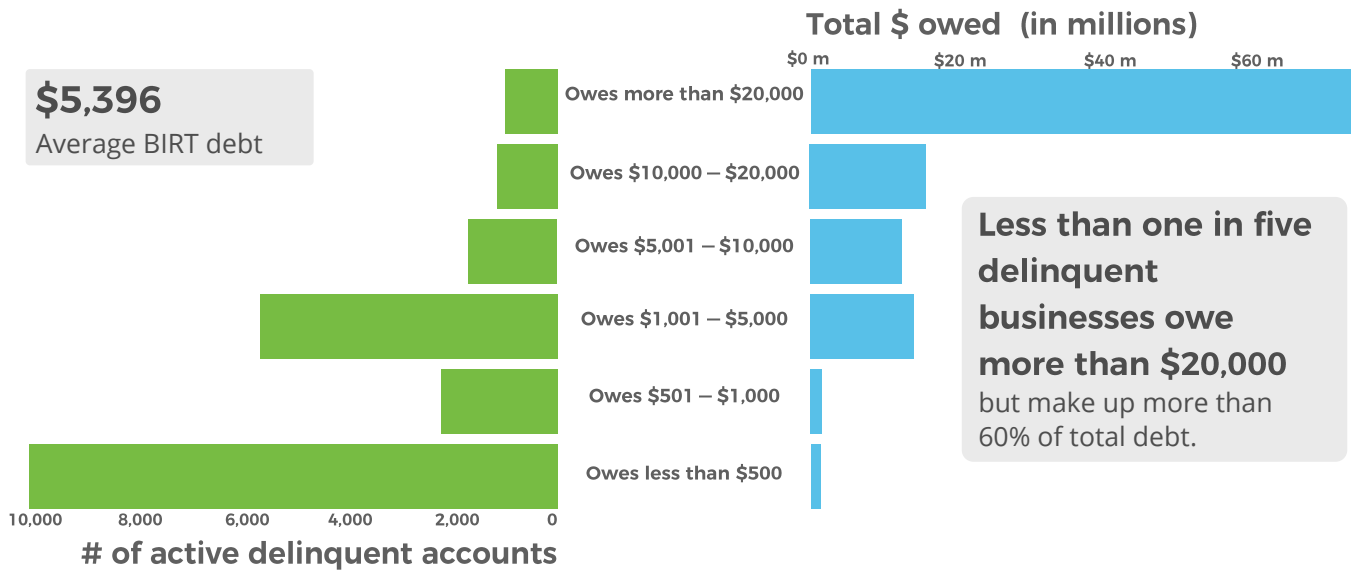
These accounts require no further action on the part of the City or the City is barred from collection.

The City is actively working to collect these accounts

*Active principal: refers to delinquent periods after January 1, 2011

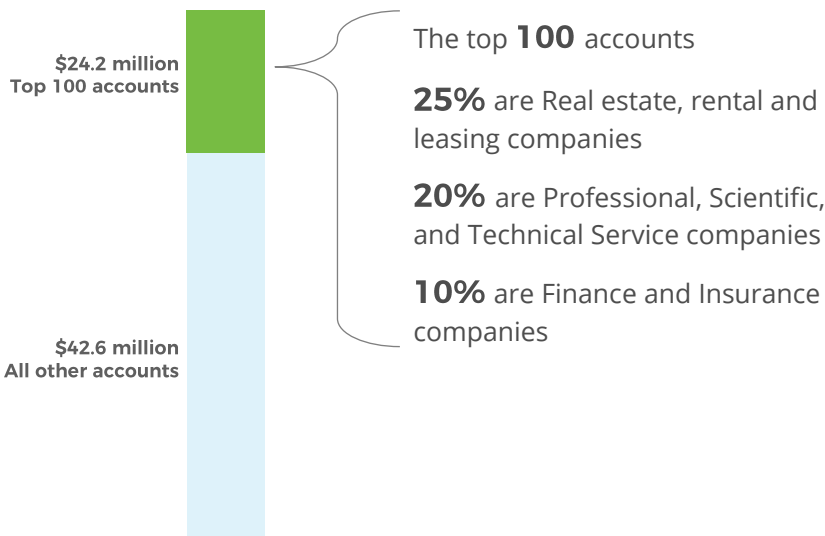
*As of September 2017 month-end

What is the average amount due?



Who are the top delinquent businesses?

Amount owed by top delinquent businesses*



Most of these accounts are in **litigation**, either at the Tax Review Board or in courts. The Law Department is actively engaged with these accounts.



Many accounts are **no longer in business**. The City works to identify these businesses and write-off the debt every six months if collection is deemed unlikely.



When possible, we use the **CAL Revocation program**. However, this strategy works best for businesses with physical locations in Philadelphia.

*Active principal: refers to delinquent periods after January 1, 2011

What are Revenue's next collection strategies ?

Data analysis and expanded capacity will continue positive trends without requiring new funding

In Fiscal Year 2018, the City will continue to

- Use data analytics to score accounts and predict the most effective enforcement tool
- Utilize the data warehouse to identify commercial activity license revocation targets



Notes about this data

This report uses data current through June 2017. Amounts in this report refer to principal due for active and inactive periods. Active periods refers to periods after January 1, 2011. Older debts, interest and penalties are much less likely to be collected and are often reduced or waived when payment does occur. Presenting the active, principal delinquency is reflective of reasonable expectations for collections.

Icon Credit: Creative stall; Blair Adams, Dinosoft Labs, Ahock, Luis Prado, Weltenraser, savgenjory from the Noun Project