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PREFACE

By virtue of the authority of the Act of June 25, 1999 ("ACT 25"), the Council of the City of Philadelphia approved an ordinance on March 16, 2000 to amend Title 19 of the Philadelphia Code by adding a new Chapter (Chapter 19-3200) imposing a tax on the rental of vehicles under certain terms and conditions.

The Department of Revenue, under the authority set forth in section 19-3202(8) of the Philadelphia Code, has promulgated the following rules and regulations governing the collection, administration and enforcement of the provisions of Chapter 19-3200.

Chapter 19-3200 of the Philadelphia Code and these Regulations shall take effect July 1, 2000.

VEHICLE RENTAL TAX REGULATIONS

ARTICLE I GENERAL PROVISIONS

Section 101. Definitions.

The following words and phrases when used in these Regulations shall have the meaning ascribed to them in this section, except where the context clearly indicates a different meaning:

- (a) "Department." The Department of Revenue.
- (b) "Purchase Price." The full consideration paid or delivered or promised to be paid to the Vehicle Rental Company for the vehicle rental, including, but not limited to, charges for vehicle use, excess mileage, pick up and drop off, vehicle damage waiver, insurance, child car seat, car top carrier and cellular phone, but excluding charges for State and local taxes. Purchase Price does not include charges for sale of gas to the extent that the charge is separately stated in the bill issued by the Vehicle Rental Company to the Purchaser.
- (c) "Purchaser." A person who acquires, for money or other consideration, the custody or possession of a rental vehicle under a rental contract.
- (d) "Rental Contract." A contract between a purchaser and a Vehicle Rental Company for the use of a rental vehicle.
- (e) "Rental Vehicle." A private passenger motor vehicle designed to transport fifteen or fewer passengers, or a truck, trailer or semi-trailer used in the transportation of property other than commercial freight, that is rented without a driver for a period of twenty-nine or fewer consecutive days.
- (f) "Vehicle Rental Company." Any business entity engaged in the business of renting a motor vehicle in Philadelphia which vehicle is part of a fleet of five or more rental vehicles that are used for that purpose and are owned or leased by the same person or entity.

VEHICLE RENTAL TAX REGULATIONS

ARTICLE II IMPOSITION AND RATE OF TAX

Section 201. Nature and Rate of Tax.

For all tax years beginning July 1, 2000, solely for the purpose of payment of the costs of capital projects, an excise tax is imposed on the rental of a Rental Vehicle in the City of Philadelphia. The rate of tax shall be two percent (2%) of the Purchase Price of the rental. For the purpose of this tax, the "rental of a Rental Vehicle in the City of Philadelphia" occurs whenever a renter takes possession of a Rental Vehicle in the City of Philadelphia.

Section 202. Persons Subject to Tax.

Any person acquiring the custody or possession of a Rental Vehicle in the City of Philadelphia under a rental contract for money or other consideration.

Section 203. Measure of Tax.

The measure of this tax is the "Purchase Price" as this term is defined under subsection 101(b) of these Regulations. Under this definition, full value of the rental contract is subject to the tax regardless of how it is designated. Therefore, a vehicle damage waiver fee, a child's car seat, a car top carrier, etc. that are included in the rental contract are also subject to the tax even if such considerations are separately stated. The following are examples of transactions that are subject to the tax:

- (1) "A" rents a Rental Vehicle from a Vehicle Rental Company for 20 days. After the 20th day, without entering into a new contract, "A" continues to use the car on a day-by-day basis and eventually returns the car on the 40th day. Because the transaction continues to be governed by the rental contract for the entire 40-day period, the rental payment is subject to the tax.
- (2) "B" rents a rental vehicle for 10 days from ABC, Inc. ABC, Inc. owns 2 vehicles, leases 7 others and rents all 9 to the public. Because ABC, Inc. has more than four rental vehicles available for rental, it is deemed to be operating a Vehicle Rental Company, and the rental payment is subject to the tax.
- (3) "C" rents a truck from a Vehicle Rental Company to transport a living room set to his hunting camp. The rental payments are subject to the tax as the living room set does not qualify as commercial freight.

- (a) The following are examples of transactions that are not subject to the tax:
- (1) "D" Rents a Rental Vehicle from a Vehicle Rental Company for 20 days. Prior to the 20th day, "D" amends the contract extending the rental period for an additional 20 days. Because the entire 40-day transaction is governed by the amended contract, the Rental payment is not subject to the tax.
 - (2) "T" rents a Rental Vehicle from Vehicle Rental Company for 20 days. After using the car for 20 days, "T" likes the car and wishes to use the car for a longer period of time. "T" returns the car, terminates the rental contract and enters into a lease agreement under which she leases the same car for one (1) full year. The first transaction is governed by the original contract and the rental payment is subject to the tax. Because the second transaction is a lease agreement for a period of more than twenty-nine (29) days, the lease payments are not subject to the tax.
 - (3) "X" rents a Rental Vehicle for 20 days from "Y" who has only three Rental Vehicles available for rental. Because "Y" has fewer than five Rental Vehicles available for rental, he is not deemed to operate a Vehicle Rental Company and the rental payment is not subject to the tax.
 - (4) "Z", who is engaged in a manufacturing business, rents a truck used exclusively to deliver his own manufactured products to his customers. The rental payments are not subject to the tax as his products qualify as commercial freight.

VEHICLE RENTAL TAX REGULATIONS

ARTICLE III PAYMENT, COLLECTION, RETURNS AND REPORTS

Section 301. Payment and Collection of Tax.

Every Vehicle Rental Company is required to collect the tax from the renter of the vehicle at the time the Rental Vehicle is rented, and is required to pay the amount collected to the City as provided hereinafter.

Section 302. Returns and Reports.

- (a) Every Vehicle Rental Company is required to transmit to the Department, on or before the fifteen (15th) day of each month, upon a form furnished by the Department, a return for the month preceding the month in which the return is made. In this return, the Vehicle Rental Company is required to report the total amount of consideration received for transactions during the month for which the return is made, the amount of tax due for that month, and such other information as the Department may require from time to time.

Example:

"A", a Vehicle Rental Company, received the following total consideration for Vehicle Rentals in the year 2000:

January to June:	\$5,000.00
July	1,200.00
August	1,500.00

"A" does not have to collect the tax on the consideration received from January to June because the tax is not in effect until July 1, 2000. "A" is required to collect \$24.00 ($\$1,200.00 \times 2\%$) Vehicle Rental Tax on the \$1,200.00 of consideration received in July, transmit the required information and pay, before the 15th of August, the tax collected to the Department. "A" is also required to collect \$30.00 ($\$1,500.00 \times 2\%$) Vehicle Rental Tax on the \$1,500.00 consideration received in August, transmit the required information and pay, before the 15th of September, the tax collected to the Department.

- (b) If a Vehicle Rental Company enters the business of renting vehicles subsequent to the effective date of Chapter 19-3200 of the Philadelphia Code which imposes this tax, the first return shall be filed on the fifteenth (15th) day of the first month subsequent thereto. The first return and tax payment due shall be for all transactions occurring during the preceding month based upon the actual taxable transactions during the preceding month.

Example:

- (1) "Y" enters the business of renting vehicles on September 20, 20xx with a fleet of 10 rental vehicles and, from September 20 to the end of the month, receives \$1,000.00 in consideration for vehicle rentals. "Y" is required to collect \$20.00 ($\$1,000.00 \times 2\%$) on the \$1,000.00 consideration received for vehicle rental in September, transmit the required information and pay the tax collected to the Department before the 15th day of October, 20xx.
- (2) "Y" starts a vehicle rental business on September 1, 20xx with 4 vehicles. On October 1, 20xx, "Y" acquires one additional vehicle. Because "Y" did not have more than four rental vehicles available for rent prior to October 1st, he should not collect the tax on the consideration received for vehicle rental in the month of September. "Y" should collect the tax on the consideration received for vehicle rental on and after October 1st.

VEHICLE RENTAL TAX REGULATIONS

ARTICLE IV MAINTENANCE AND EXAMINATION OF BOOKS AND RECORDS

Section 401. Maintenance of Books and Records.

Every Vehicle Rental Company is required to maintain books and records and to make them available to the Department upon its request. The books and records shall include, but not be limited to, the number of rental transactions on a daily or weekly basis, the rate(s) charged for each rental, the consideration received from all transactions during the month for which each return is made, the locations from where such rentals were made and such other information as the Department may require from time to time.

Section 402. Examination of Books and Records.

The Department, through its authorized agents or employees, is empowered to examine the books, records, copies of reports and returns transmitted to or filed with the City and copies of tax returns filed with other taxing authorities of every Vehicle Rental Company required to pay or collect the tax.

Every Vehicle Rental Company is required to provide the duly authorized representative of the Department with the means, facilities and opportunity for such examination.

VEHICLE RENTAL TAX REGULATIONS

ARTICLE V INTEREST, PENALTIES, FINES AND COSTS

Section 501. Assessment of Interest and Penalty.

Interest plus penalty shall be paid by the Vehicle Rental Company as provided under Section 19-509 of the Philadelphia Code and Section 401 of the City of Philadelphia General Regulations if the tax is not remitted to the City by a Vehicle Rental Company by the due date.

Section 502. Violation, Fines and Costs.

Any person subject to this tax, who violates any of the provisions of the ordinance authorizing the imposition of this tax, may be subject to additional fines and costs as provided under Section 19-509 of the Philadelphia Code and Section 602 of the City of Philadelphia General Regulations in addition to the interest and penalty prescribed under Section 501 of these Regulations.

* * *

Nancy A. Kammerdeiner
Revenue Commissioner

Date

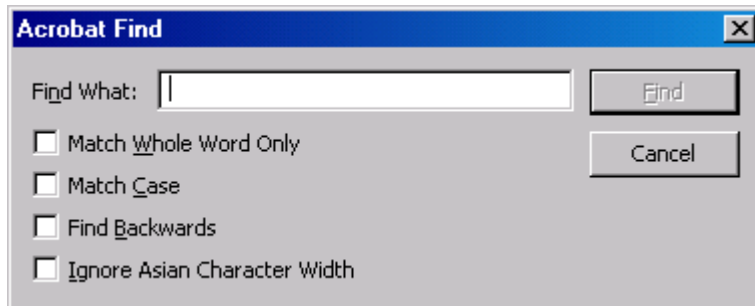
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