

**City of Philadelphia
Department of Revenue**

Keystone Opportunity Zone Programs

Keystone Opportunity Zone
Keystone Opportunity Expansion Zone
Keystone Opportunity Improvement Zone

This booklet is to be used by a Qualified Business to Calculate the Zone Tax Credits for the 2012 Business Income and Receipts Tax (BIRT) and the 2012 Net Profits Tax (NPT)

Qualified Business – Eligibility for the Zone Tax Credits

In order to qualify for a Zone Business Income and Receipts Tax and a Zone Net Profits Tax credit, a business must own or lease real property in one of the Keystone Opportunity Zones (KOZ, KOEZ, KOIZ) from which it actively conducts a trade, business or profession. The qualified business must receive initial certification from the Pennsylvania Department of Community and Economic Development (“DCED”) that the business is located, and is actively engaged in a trade, business or profession within the Zone. The qualified business must obtain annual renewal of certification from DCED to continue to qualify for the tax credits. **A copy of the DCED certification must accompany the filing of the Business Income and Receipts Tax and the Net Profits Tax returns in order for the business to obtain and maintain the tax credit.**

The methodology for calculating the KOZ/KOEZ/KOIZ credits.

Pennsylvania SB1412 became Act 79 with the Governor’s signature on July 10, 2008. Act 79 adopts a two (2) factor apportionment formula (i.e. Property & Payroll) for purposes of calculating KOZ/KOEZ/ KOIZ credits for Pennsylvania Corporate Net Income Tax (CNI) and ties the Philadelphia BIRT and NPT credit calculations to that methodology for tax years beginning **after 12/31/2008**.

Section 5 of Act 79 amends **73 P.S. § 820.703** by adding subsection (g) which reads:

Determination of exemption – For the purposes of determining an exemption under this section, a tax on or measured by any of the following shall be attributed to business activity conducted within a subzone, improvement zone or expansion zone by applying the apportionment factors under section 515(d):

- 1. Business gross receipts.*
- 2. Gross or net income.*
- 3. Gross or net profits.*

73 P.S. § 820.515(d) was amended to remove the Sales factor and to instead use the average of the Property and Payroll factors based upon the ratio of KOZ/KOEZ/KOIZ (“KOZ”)to Pennsylvania.

Property Factor

The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the Zone during the tax period and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in the *Commonwealth of Pennsylvania* during the tax period but shall not include a security interest of any corporation as seller or lessor in personal property sold or leased under a conditional sale, bailment lease, chattel mortgage or other contract providing for the retention of a lien or title as security for the sales price of the property.

Payroll Factor

The Payroll Factor is a fraction, the numerator of which is the total compensation paid in the Zone during the tax period and the denominator of which is the total compensation paid in the *Commonwealth of Pennsylvania* during the tax period.

Compensation is paid in the Zone if:

- The employee's service is performed entirely within the Zone;
- The employee's service is performed both within and outside the Zone, but the service provided outside the Zone is incidental to the service performed within the Zone; or
- Some of the service is performed in the Zone and the base of operations for the employee or the place from which the employee's service is directed or controlled is in the Zone.

Zone Credit Factor

The Zone Credit Factor is the total of the Property and Payroll Factors divided by 2. If the qualified business does **not** have employees within Pennsylvania (*and therefore a zero in the denominator*) that factor is **not** included in the Zone Credit calculation and in effect the Property Factor is the Zone Credit Factor. If there are no employees in the Zone but there are employees in Pennsylvania (i.e. zero in the numerator), the factor is zero and is included in calculating the Zone Credit Factor.

NAME

CITY ACCOUNT NUMBER

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**Computation of the “Zone” Tax Credit for the
2012 Business Income and Receipts Tax and Net Profits Tax**

Zone Credit Factor

1. Total Average Value of Zone Property	
2. Total Average Value of Property in Pennsylvania	
3. Zone Property Factor (<i>line 1 divided by line 2</i>)	
4. Zone Payroll	
5. Total Payroll in Pennsylvania	
6. Zone Payroll Factor (<i>line 4 divided by line 5</i>)	
7. Total of Zone Factors (<i>line 3 plus line 6</i>)	
8. Zone Credit Factor (<i>line 7 divided by the applicable number of factors</i>)	

Business Income and Receipts– Zone Credit Calculation

9. Total Business Income and Receipts Tax Due (<i>from line 3 of the 2012 BIRT return</i>)	
10. Zone Business Income and Receipts Tax Credit (<i>line 8 multiplied by line 9</i>)	

Net Profits Tax – Zone Credit Calculation

11. Total Net Profits Tax Due (<i>from line 5 of the 2012 NPT return</i>)	
12. Zone Net Profits Tax Credit (<i>line 8 multiplied by line 11</i>)	

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Allowed Business Income and Receipts Tax Credit on the 2012 Net Profits Tax

1. BIRT Taxable Net Income (<i>from BIRT return Schedule A or B, line 11 or BIRT EZ line 4</i>)	
2. BIRT Zone Net Income (<i>line 1 multiplied by Zone Credit Factor – line 8</i>)	
3. Difference (<i>line 1 less line 2</i>)	
4. Percentage of Net Income to non-corporate partners <i>If no corporate partners, enter 100%</i>	
5. Net Taxable BIRT net income (<i>line 3 multiplied by line 4</i>)	
6. Net tax on BIRT net income (<i>line 5 x .0645</i>)	
7. Allowed BIRT Credit to be used on NPT return (<i>line 6 x .6</i>)	

Computation of the 2013 Mandatory BIRT Estimated Payment

1. Total Business Income and Receipts Tax Due (<i>from line 3 of the 2012 BIRT return</i>)	
2. Zone Business Income and Receipts Tax Credit (<i>from line 10 of page 3 of this booklet</i>)	
3. 2013 BIRT Estimated Payment Due (line 1 less line 2). Enter here and on line 4 of the 2012 BIRT return or EZ return.	

Computation of BIRT return Line 6b Credits

1. 2012 Mandatory BIRT estimates previously made	
2. Zone Business Income and Receipts Tax Credit (<i>from line 10 of page 3 of this booklet</i>)	
3. Other Credits	
4. Total Credits (<i>Add lines 1, 2 and 3</i>) Include on line 6b of the BIRT return	

Completed tax returns, certification approval letter and zone credit worksheets should be mailed to:

**Noreen Skirkie
Philadelphia Department of Revenue
Municipal Services Building, Room 400
1401 JFK Boulevard
Philadelphia, PA 19102**