

Filing 2019 business taxes: legal updates and reminders

There have been many recent business tax developments you should be aware of as you file the 2019 Philadelphia business tax returns. The annual Business Income and Receipts Tax (BIRT) and Net Profits Tax (NPT) returns must be filed by April 15. Here is a brief summary of the new tax policies, as well as some important reminders:

What's New?

- Economic Nexus Standard** – Effective for tax years beginning January 1, 2019 and thereafter, a business with no physical presence in Philadelphia is considered to have nexus if it has generated at least \$100,000 in Philadelphia gross receipts during any twelve (12) month period ending in the current year. For detailed guidance, refer to: <https://www.phila.gov/documents/materials-about-u-s-supreme-court-decision-in-wayfair/>
- Estimated Payment Changes for New Businesses** – The City no longer requires businesses that started in 2019 and thereafter to make estimated BIRT payments toward their second year's BIRT return. In the second year of filing, new businesses can elect to make estimated payments in four (4) quarterly installments toward the third year's BIRT return or pay 100% of the estimated tax in one payment. In the third year of filing, businesses must make a 100% estimated payment toward the next year's BIRT return, as required for any business that started before 2019.

Year of Business	Tax Year	Due Dates / Filing Requirements
1	2019	4/15/2020 – file / pay taxes on 2019 activity no estimates toward 2020 return
2	2020	4/15/2021 – file / pay taxes on 2020 activity - pay 100% estimate toward 2021 return - OR elect to make 4 quarterly installment payments toward 2021 return (due 4/15/2021, 6/15/2021, 9/15/2021, and 1/15/2022)
3	2021	4/15/2022 – file return for 2021 activity, pay 100% estimate toward 2022 return
4	2022	4/15/2023 - file return for 2022 activity, pay 100% estimate toward 2023 return

- **Treatment of Corporate Tax Provisions in Tax Cuts and Jobs Act (TCJA)** – Advisory Notices have been issued on various TCJA corporate tax provisions and their treatment for BIRT Net Income Tax purposes. For detailed guidance, refer to:
<https://www.phila.gov/documents/business-income-receipts-tax-birt-regulations/>

Reminders:

- **Bonus Depreciation** – Philadelphia decouples from the federal 100% bonus depreciation deduction allowed for qualified properties acquired and placed into service after September 27, 2017 and before January 1, 2023. BIRT Method II taxpayers are required to add back to federal taxable income any 100% bonus depreciation taken on their federal return. Philadelphia permits taxpayers to take normal depreciation deductions on such property [IRC 167 and IRC 168, except 168(k)].
- **Exclusion from Gross Receipts and Net Income Tax Bases for BIRT** – The first \$100,000 of taxable receipts are excluded from the tax base in computing the Gross Receipts Tax as well as a proportionate share of the Net Income Tax base.
- **Extension of Time for Filing BIRT Return** – The Department may grant an extension of not more than 60 days for the filing of any return. If the Internal Revenue Service (IRS) grants you an extension of time for filing your federal return, the Department may grant an additional extension of time for filing your BIRT return **up to the date of termination of the federal extension period**. Taxpayers should provide a copy of the federal extension grant with their BIRT return. Taxpayers with a PIN number may make an extension payment electronically or print out a payment coupon.

We hope this information helps you enjoy a smooth tax season. Of course, if you need assistance with any Philadelphia business tax issues, please call (215) 686-6600 or email revenue@phila.gov