

January 20, 2022

## **Philadelphia Tax Relief for Victims of Hurricane Ida for BIRT, NPT, & SIT - revised**

### **The Philadelphia Department of Revenue is extending the due dates to file BIRT, NPT, and SIT returns for taxpayers affected by Hurricane Ida.**

The IRS has announced in its news release IR-2021-254 (December 22, 2021) that it will extend tax filing and payment deadlines to February 15, 2022, from January 3, 2022 for victims of Hurricane Ida.

Consistent with the updated IRS relief, the Philadelphia Department of Revenue is further extending the due dates to file BIRT, NPT, and SIT returns for taxpayers affected by Hurricane Ida. Taxpayers who received an extension from the Commonwealth of Pennsylvania or the IRS for returns due after August 31, 2021, and were affected by Hurricane Ida, now have until February 15, 2022 to file Business Income and Receipts Tax (BIRT), Net Profits Tax (NPT), and School Income Tax (SIT) returns for tax year 2020. This filing extension does not apply to any other Philadelphia tax returns and does not extend the deadline for payment of BIRT, NPT or SIT taxes.

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## **Guidance on the Philadelphia tax treatment of Hurricane Ida related relief measures**

### **Low-Interest Disaster Loans from the Small Business Administration (SBA)**

For federal income tax purposes, low-interest disaster loans provided by the SBA are not taxable income to the borrower. Philadelphia conforms to the federal tax treatment of SBA low-interest disaster loans.

Such payments are not taxable income for BIRT (both Method I and II filers) and NPT purposes. However, any amounts of the SBA low-interest disaster loan which are cancelled or forgiven are included in taxable income in the year of cancellation.

For purposes of the BIRT Gross Receipts Tax, SBA low-interest disaster loan proceeds are excluded from a taxpayer's Receipts. Note the Department's general rule that loan forgiveness creates Receipts for BIRT purposes.

### **The Merchants Fund Disaster Relief Grants**

The Merchants Fund, a Philadelphia charitable organization, has established a disaster relief grant program for businesses that have suffered direct physical damage and/or inventory losses from flooding related to Hurricane Ida.

Grants to assist businesses, including payments from state and local governments, are generally taxable under federal law. Under IRC Section 139, gross income shall not include any amount received by an individual as a

qualified disaster relief payment. A payment to a business does not fit the definition of a qualified disaster relief payment under IRC Section 139, even if the business is a sole proprietorship. The relief fund payment is therefore included in federal gross income under IRC Section 61.

If a grant is included in federal taxable income, it will also be included in Philadelphia taxable income, absent a specific exclusion. Philadelphia will conform to the federal tax treatment of grants to businesses, such as The Merchants Fund Disaster Relief Grants.

Such payments are taxable income for BIRT (both Method I and II filers) and NPT purposes. For purposes of the BIRT Gross Receipts Tax, grants to businesses are generally included in “Receipts” if the recipient is expected to provide services. If there is no service component associated with a grant, such payment will be excluded from a taxpayer’s Receipts for the Gross Receipts Tax.