

PHILADELPHIA BUSINESS TAXES ARE CHANGING TAX YEAR 2025 (DUE IN 2026)



Get your business ready!

WHAT'S CHANGING?

Since Tax Year 2016, one of Philadelphia's most important business tax policies has exempted the first \$100,000 of Philadelphia receipts when filing the Business Income and Receipts Tax (BIRT). This exemption significantly reduced the tax burden for small businesses. Additionally, the School District has provided a \$2,000 annual exemption on the Use & Occupancy Tax.

Unfortunately, due to a legal challenge, the City can no longer offer these exemptions.

Beginning in Tax Year 2025, businesses will no longer receive the BIRT \$100,000 exemption.

Beginning January 2026, taxpayers who use or occupy property for business purposes will no longer receive a \$2,000 annual exemption.

Commercial landlords should begin to plan for this change.

WHAT DO YOU NEED TO KNOW?

Begin tax planning now for changes to the BIRT when you file your taxes for business activity from 2025 in April 2026. You may not have had to file or pay a BIRT return in the past. Plan now for changes to U&O exemptions, which take effect and are due by January 25, 2026.

Although your BIRT bill may increase, your Net Profits Tax will likely decrease. That's because you receive a credit on the NPT worth 60% of what you paid on the Net Income portion of the BIRT. (If you pay more BIRT, your credit will also increase.)

Don't forget, Philadelphia allows businesses to carry losses for up to twenty years. **Your business is unique; we recommend you work with a tax professional who understands your business.**

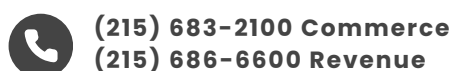
WHAT'S NEXT?



LOOK FOR FREE TAX PREP

Small businesses may be eligible for free tax preparation services. Visit phila.gov/business taxprep to learn more.

Use the QR code to sign up for a dedicated newsletter.



PHILADELPHIA TAX CHANGES ARE NOW LAW

Philadelphia is making an unprecedented \$212M tax investment in businesses through FY30, including about \$40M in 2025 and 2026



BIRT TAX RATE REDUCTION, EXEMPTION REMOVED

Business Income & Receipts Tax (BIRT)

For tax year 2025, the Net Income portion of the tax will fall to 5.71 and the Gross receipts portion will be reduced to 1.140 mills.

These reductions continue gradually until 2030, when more aggressive reductions are scheduled. By FY39, Philadelphia will eliminate the Gross Receipts portion of the tax and bring the Net Income portion rate to 2.8%

Additionally, due to a legal challenge, the \$100,000 statutory deduction must end beginning Tax Year 2025. Those taxes are due by April 15, 2026.

Development Impact Tax

Affordable housing projects that meet certain criteria are now exempt from this tax.

Realty Transfer Tax

Beginning July 1, 2025, the city-portion of the tax increases to 3.578%, from 3.278%. The state-portion stays the same, 1%, for a total rate of 4.578%

Use & Occupancy Tax (U&O)

Beginning January 1, 2026, the \$2,000 exemption ends.

Wage, School Income, and Earnings Tax

Beginning July 1, 2025, the rate for Philadelphia residents is 3.74%, and for Non-Residents 3.43%

START PLANNING NOW

These changes start in Tax Year 2025, due on April 15, 2026. Start working with a tax professional who understands your business now.

Organizations that work with businesses can request presentations customized for their group. Reach out to: Revenue.Outreach@phila.gov.

WHAT'S NEXT?



SIGN UP FOR REVENUE'S NEWSLETTER

Use the QR code to get information about upcoming webinars and Philadelphia Department of Commerce grant and support programs. We never share our email list.



(215) 686-6600 Revenue



phila.gov/revenue



**CITY OF PHILADELPHIA
DEPARTMENT OF REVENUE**

WHAT BUSINESS OWNERS NEED TO KNOW RIGHT NOW

The City will invest \$30 million to support and grow small businesses in Philadelphia.



HOW THE CITY WILL SUPPORT YOUR BUSINESS

The City is committed to assisting businesses through this change, and will provide resources that will help small businesses understand what this means for them.

Organizations that work with businesses can request presentations customized for their group. Reach out to: **Revenue.Outreach@phila.gov**.

Mayor Parker's budget includes \$30M for programs that support Philadelphia's small businesses.

EXISTING PROGRAMS

**\$7K
PER JOB**

QUALITY JOBS PROGRAM

Invests in businesses that create new jobs with living wages and health insurance benefits for Philadelphia residents.

\$5M

CATALYST FUND

Helps small businesses and entrepreneurs grow in the city. Businesses will be able to apply for grants up to \$50,000. For more information, visit **phila.gov/catalyst-fund**

JUMPSTART INITIATIVES

\$11M

BUSINESS EDUCATION & CAPACITY

Serving an additional 6,500 businesses to offer tax preparation and bookkeeping for first-time filers, as well as business education, legal assistance, and additional professional services, promoting business growth in historically hard-to-reach communities. This also includes three new staff for our Mayor's Business Action Team, expected to provide direct support to 1,300 businesses per year with knowledge of City processes, referrals to services, and resolution of complex cases.

\$19M

SMALL BUSINESS GRANTS

Direct capital investments to about 750 businesses to purchase commercial real estate, survive emergency situations, open a business on targeted commercial corridors, and grow to their full potential.

LEARN MORE

Visit **phila.gov/commerce** for more details about existing programs and proposed investments.



(215) 683-2100 Commerce
(215) 686-6600 Revenue



phila.gov/commerce
phila.gov/revenue



City of
Philadelphia