

PROPOSED TAX RATE REDUCTIONS BEGINNING IN FY26



Mayor Parker has proposed an unprecedented \$212M tax investment through FY30, including about \$17M in FY26

WHAT IS PROPOSED?

Business Income & Receipts Tax (BIRT)

Starting in FY26, reduce the Net Income portion of the tax to 5.5% in FY30, down from 5.81% today. Then more aggressive reductions to 2.8% by FY39.

Beginning in FY26, the Mayor proposes reducing the rate of the Gross Receipts portion of the tax incrementally until it is completely eliminated by FY39.

Eliminate the \$100,000 statutory deduction for Tax Year 2025, which is due by April 15, 2026.

Wage Tax

Reduce the rate for Philadelphia residents to 3.7%, down from 3.75%, and for Non-Residents 3.44% to 3.39% over the next five years. This will also affect the Net Profits Tax and the School Income Tax, as both of these taxes match the Wage Tax rate.

Real Estate Tax

Shifting the millage rate to increase funding for public education by \$12M; effective in FY30.

Use & Occupancy Tax (U&O)

Eliminate the \$2,000 exemption for Use & Occupancy Tax, beginning January 1, 2026.

WHAT ELSE DO YOU NEED TO KNOW?

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

The Mayor also proposed an additional \$30M each year for education and grant programs to help small businesses impacted by these changes.

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 up to the minute updates about tax rates and policy changes. We never share our email list.



You'll also get information about upcoming webinars and Commerce programs to support your business.



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



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City of
Philadelphia

PHILADELPHIA BUSINESS TAX CHANGES ARE COMING

Get your business ready



WHAT IS PROPOSED?

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 reduces 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 and a ruling from the PA Supreme Court, the City can no longer offer these exemptions.

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

Beginning January 2026, taxpayers that 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 begin January, 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 forward losses for 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 qualify for free tax prep. Use the QR code to sign up for the Revenue newsletter to get more details as they are announced.

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City of
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HOW WILL THE CITY SUPPORT YOUR BUSINESS?

Mayor Parker has proposed investing \$30 million to support and grow small businesses in Philadelphia



WHAT IS HAPPENING?

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**

LEARN MORE

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

PROPOSED 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.



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