

Revenue Fact Sheet:

Philadelphia's Business Taxes

Understanding Philadelphia's business taxes

The City of Philadelphia collects two taxes on business activity in Philadelphia, the Business Income and Receipts Tax (BIRT), and the Net Profits Tax (NPT). All businesses are required to pay BIRT. All businesses that aren't corporations are required to pay NPT. The Business Income and Receipts Tax has two components, a Net Income Tax based on profits generated in Philadelphia, and a Gross Receipts Tax based on sales made or services performed in Philadelphia. The Net Profits Tax functions as a Wage Tax on non-corporate business profits generated in Philadelphia, with separate rates for Philadelphia residents and non-residents.

| Who Pays What? | | | | |
|----------------|--------------|--------------|------|------------------|
| | Corporations | Partnerships | LLCs | Sole Proprietors |
| BIRT | ✓ | ✓ | ✓ | ✓ |
| NPT | X | ✓ | ✓ | ✓ |

Source: [Philadelphia Department of Revenue](#)

What determines how much business taxes are paid?

Business Income and Receipts Tax

Businesses active in Philadelphia must file annual BIRT returns and pay the tax incurred on their net income and gross receipts for the preceding year by April 15th each year. The Net Income portion of BIRT is a tax on business profits. Businesses can apply net operating losses from prior years that were unprofitable against their Net Income liability for 20 years as of 2022. Gross receipts subject to taxation are defined broadly to include essentially any revenue that a business might receive for activity in Philadelphia. Starting with their second annual tax return, businesses are required to pay taxes owed on the prior year's net income and gross receipts, in addition to making a payment of 100 percent of the Business Income and Receipts Tax the business estimates it will owe for activity in the current year. For their second annual tax return only, businesses *may* pay the estimated amount in quarterly installments. Businesses can find it difficult to accurately estimate their liability for the current tax year. Resolving differences between estimated liability

and actual liability can require refunds from the City or additional payments from businesses, making BIRT revenue difficult for the City to project.

| Business Income and Receipts Tax Rates | | |
|--|------------|----------------|
| Tax Year | Net Income | Gross Receipts |
| 2016 | 6.39% | 1.415 mills |
| 2017 | 6.35% | 1.415 mills |
| 2018 | 6.30% | 1.415 mills |
| 2019 | 6.25% | 1.415 mills |
| 2020 | 6.20% | 1.415 mills |
| 2021 | 6.20% | 1.415 mills |
| 2022 | 5.99% | 1.415 mills |
| 2023 | 5.81% | 1.415 mills |
| 2024 | 5.81% | 1.415 mills |
| 2025 | 5.71% | 1.410 mills |

Source: [Philadelphia Code section 19-2604](#)

The BIRT taxes Net Income and Gross Receipts at different rates. The Net Income portion has a higher rate and is applied to profits, which is a smaller tax base than Gross Receipts. The Gross Receipts rate is much lower than the rate of the Net Income portion but applied against the far larger tax base of all business receipts for business activity in Philadelphia. The Gross Receipts rate is expressed in mills, meaning the amount due per \$1,000 of gross receipts. [Multiple iterations](#) of the [Philadelphia Tax Reform Commission](#) have found that each of these taxes place a burden on Philadelphia businesses and may act as a deterrent to growth in the city, because businesses are incentivized to avoid these taxes by conducting activity elsewhere. From 2016 through 2025, subsequent Mayors and City Councils have lowered these rates, with the rate for the Net Income portion lowered by 0.68 percentage points, from 6.39 percent to 5.71 percent, and the rate for the Gross Receipts portion lowered by 0.005 mills, from 1.415 mills to 1.410 mills, in the last decade.

For 2025, a business with \$2M in revenue and 10.0% profits would pay \$2,820 in Gross Receipts Tax and \$11,420 in Net Income Tax for a total of \$14,240 in BIRT.

Net Profits Tax

The City of Philadelphia [defines Net Profits](#) as the net gain from business-related activity in Philadelphia after provision for costs and expenses, aside from deductions for the cost of taxes based on business income. All businesses subject to the Net Profits Tax (which doesn't include corporations) are required to file tax returns. Annual NPT returns are due on April 15th. In addition to paying the full

amount owed for the prior year, businesses must also make estimated payments for the current year's NPT liability twice a year in equal installments due on April 15th and June 15th. Each of these estimated payments must equal at least 25 percent of the prior year's NPT liability. If the business did not generate a profit in a given tax year, it won't have NPT liability. Businesses subject to both BIRT and NPT can offset their NPT liability by an amount equal to [60 percent of the BIRT](#) paid on the company's Net Income base. Resident rates for the NPT are higher than non-resident rates and include the 1.5 percent PICA Tax implemented in the early 1990s.

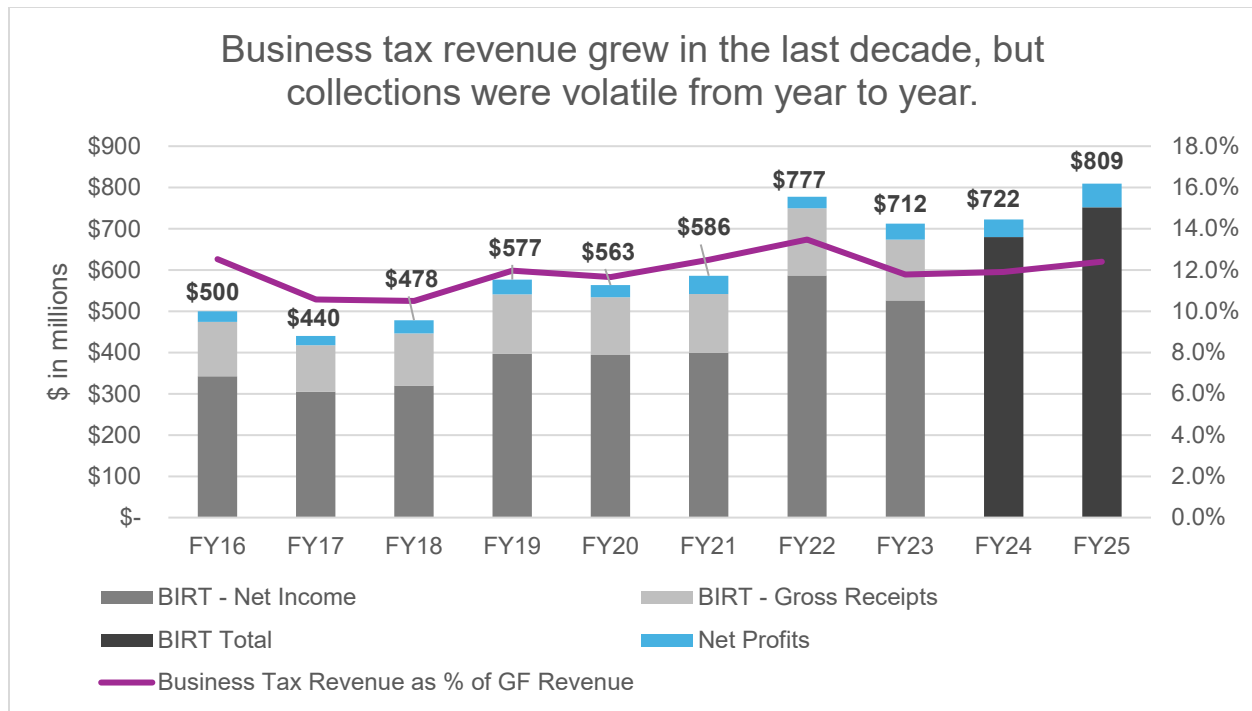
| Net Profits Tax Rates | | |
|-----------------------|---------------|-------------------|
| Tax Year | Resident Rate | Non-Resident Rate |
| 2016 | 3.9004% | 3.4741% |
| 2017 | 3.8907% | 3.4654% |
| 2018 | 3.8809% | 3.4567% |
| 2019 | 3.8712% | 3.4481% |
| 2020 | 3.8712% | 3.5019% |
| 2021 | 3.8398% | 3.4481% |
| 2022 | 3.7900% | 3.4400% |
| 2023 | 3.7500% | 3.4400% |
| 2024 | 3.7500% | 3.4400% |
| 2025 | 3.7400% | 3.4300% |

Source: [Philadelphia Code subsections 19-1502\(2\)\(a\) and \(b\)](#)

The PICA Tax, although experienced seamlessly as part of the Net Profits Tax for residents, is presented in City of Philadelphia financial documents as Revenue from Other Governments, not Tax Revenues and is generally not reflected in the data that follows. For more information on the PICA Tax, see the [PICA Revenue Fact Sheet on Revenue from Other Governments](#).

10-Year Trend

In the past decade, revenue from business taxes grew from \$499.6 million in FY16 to \$809.4 million in FY25, comprising 16.7 percent of the City's tax collections and 12.0 percent of all General Fund revenues. BIRT brought in 94.2 percent of the City's business tax revenue, and NPT was responsible for 5.8 percent. BIRT revenues grew at a compound rate of 5.3 percent and NPT revenues grew at a compound rate of 9.5 percent, combining to generate compound annual growth in business tax collections of 5.5 percent. Business tax revenues grew slightly faster than total General Fund Tax revenues, which grew at a compound annual rate of 4.5 percent from FY16 through FY25, but remained in line with compound annual General Fund revenue growth of 5.6 percent.



Although business tax revenue growth was in line with General Fund revenue growth even with regular tax rate reductions, business taxes are some of the City's most volatile sources of revenue. Total General Fund revenue had a volatility rate, measured as standard deviation, of 6.7 percent from FY16 through FY25 and U.S. Gross Domestic Product had a volatility rate of 2.6 percent. Over the same period, BIRT had a volatility rate of 14.1 percent and NPT's volatility was 28.6 percent. This volatility is driven by the close linkage of business tax revenue to swings in the economy, the ability of taxpayers to adjust their tax exposure with location and loss carryforward decisions, making the City's business taxes some of its [most difficult to accurately project](#). Rules for which businesses were required to file returns also changed dramatically over the past decade, with the implementation of a BIRT exemption for the first \$100,000 in gross receipts and associated net income in 2016 that was subsequently repealed as of tax year 2025 due to challenges to its legality.

BIRT Industry Trends

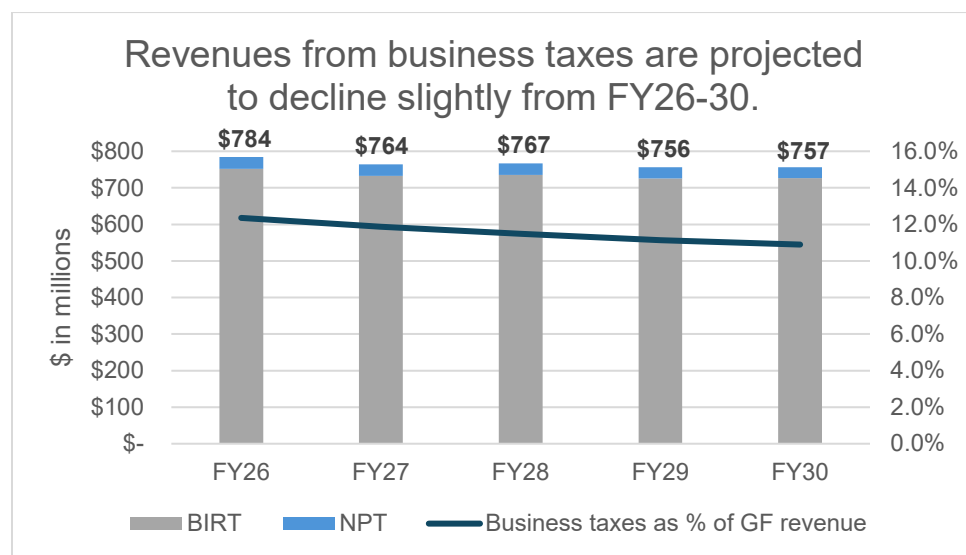
The City of Philadelphia provides detail by industry for each portion of BIRT. Because BIRT is collected on a calendar year basis with shifting regulations and lengthy accrual and refund periods, there is a lag in the availability of data for payments by sector. Although BIRT filers must pay both the Net Income and Gross Receipts portion of the Tax, businesses with higher margins generate more profit per dollar of revenue and generate a higher portion of the City's Net Income collections, while businesses that deal in volume and typically have lower margins

generate a higher portion of the City's Gross Receipts collections. The most recent data on BIRT collections by sector illustrates this dynamic, with higher margin sectors like Professional Services and Real Estate generating a greater portion of Net Income collections, and lower margin higher volume sectors like Retail Trade and Wholesale Trade generating a greater portion of Gross Receipts collections.

| Top Five Sectors for BIRT Net Income Collections Tax Years 2018-2023 | | | | Top Five Sectors for BIRT Gross Receipts Collections Tax Years 2018-2023 | | | |
|--|-----------------------|-------|----------|--|-----------------------|-------|----------|
| 1. | Professional Services | 28.9% | \$668.7M | 1. | Retail Trade | 15.9% | \$125.9M |
| 2. | Real Estate | 17.8% | \$410.4M | 2. | Professional Services | 12.2% | \$96.9M |
| 3. | Retail Trade | 7.6% | \$176.7M | 3. | Wholesale Trade | 10.7% | \$85.3M |
| 4. | Construction | 6.7% | \$155.2M | 4. | Construction | 10.4% | \$82.7M |
| 5. | Wholesale Trade | 5.3% | \$123.0M | 5. | Insurance | 7.5% | \$59.1M |
| All Other Sectors | | 33.6% | \$777.7M | All Other Sectors | | 43.3% | \$343.3M |

Source: [Philadelphia Department of Revenue](#)

Looking Ahead



From FY26 through FY30, business tax revenues are projected to decline by a compound annual rate of 0.9 percent, based on projections updated at the close of FY26 Q1. The FY26-30 Plan does not include any projected growth in the tax base for the City's business taxes due sensitivity to economic changes, the uncertainty of federal policy, and difficulty of accurately projecting changes in these revenue sources, as discussed in PICA's [Precision in Projections](#) analysis. The slight decline in revenues is driven by tax rate reductions that are scheduled to go into effect for NPT and both portions of BIRT. These projections incorporate the impact of changes to BIRT filing policies that require all businesses to file BIRT returns regardless of their level of receipts and the end of the \$100,000 exemption for all

taxpayers. Increased BIRT filings and payments will generate more credits against NPT liability, driving down NPT revenue modestly.

| BIRT Tax Rate Reductions | | | NPT Rate Reductions | | |
|--------------------------|------------|----------------|---------------------|----------|--------------|
| Tax Year | Net Income | Gross Receipts | Tax Year | Resident | Non-Resident |
| 2026 | 5.65% | 1.395 mills | 2026 | 3.735% | 3.425% |
| 2027 | 5.60% | 1.390 mills | 2027 | 3.730% | 3.420% |
| 2028 | 5.55% | 1.385 mills | 2028 | 3.720% | 3.410% |
| 2029 | 5.50% | 1.380 mills | 2029 | 3.700% | 3.390% |
| 2030 | 5.45% | 1.255 mills | 2030 | 3.700% | 3.390% |

The Big Picture

Business taxes generate significant revenue for the City of Philadelphia, bringing in 12.0 percent of all General Fund revenue from FY16-25 and a projected 11.5 percent of General Fund revenue from FY26-30. Business taxes are some of the City's most volatile revenue sources, which can make reliance on them a source of fiscal uncertainty. Although a significant source of resources for City service provision, these taxes also may act as a deterrent to business growth in Philadelphia. Reflecting that, several Mayors and City Councils have lowered rates to reduce the cost of doing business in Philadelphia while lessening the City's reliance on volatile sources of revenue.

Where to Learn More

For additional details on the City of Philadelphia's business taxes:

- See PICA's [Staff Report on the Five-Year Plan for FY26-30](#) and past Staff Reports at picapa.org.
- Find the City's revenue projections and budget documents on the [Office of the Director of Finance](#) website.
- Visit the City of Philadelphia's [Department of Revenue website](#) for full BIRT and NPT regulations as well as reports on BIRT collections by sector.