

Use and Occupancy Tax Instructions

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BUSINESS USE & OCCUPANCY GENERAL INFORMATION

Effective July 1, 1970, the School District of Philadelphia imposed a tax for general school purposes on the use and occupancy of real estate within the School District of Philadelphia for the purpose of carrying on commercial or industrial activity.

Subsequent legislation requires landlords to collect Use and Occupancy Tax from the user or occupier of commercial or industrial space or be held liable if delinquent taxpayers are not correctly reported. Form UO3 is used for this purpose. It is to be filed along with Form UO1 by the 25th day of the month in which the payment is due.

WHO MUST FILE

1. Every owner of real estate used or occupied for business purposes.
2. Every landlord or other person authorized to collect rents for real estate used or occupied for business purposes. The landlord or other person authorized to collect rentals is required to collect the tax due and remit it to the City along with any portion of the tax for which the Landlord or other person is liable.
3. The failure to receive a tax return does not excuse the responsibility of filing a return and paying the tax due.
4. All returns must be signed by the preparer.

TAX BASE AND RATE

Effective July 1, 1990, the maximum annual tax is \$4.62 per \$100 of assessed value of the real estate used for business purposes. The maximum tax for the period is multiplied by the percentage of use to determine the actual tax due. The percentage of use is computed by dividing the square footage used or occupied by the square footage available for use and occupancy. The square footage available for use and occupancy is the total of the number of square feet of land and floor space in any structure less service, utility, and common areas.

A parking garage within a building may have an assessed value assigned to the garage area by the Board of Revision of Taxes. To obtain this assessment from the Board in order to calculate liability for the tax arising from the business use and occupancy of the garage, call 215-686-4334. To obtain help in filing the Form UO1 in such a case, call the Philadelphia Revenue Department at 215-686-6600.

For computational purposes, occupancy for each month is considered to be 30 days.

EXCLUSIONS FROM THE TAX

1. **Real estate, or the portion thereof, used for a dwelling or residence.** Any portion of the tax exempted for this reason must be reported on Line 4 of Form UO1.
2. **Real estate subject to the Pennsylvania Hotel Occupancy Tax.** Any portion of the tax exempted for this reason must be reported on Line 3 of Form UO1.
3. **Real estate, or the portion thereof, used or occupied for non-profit business purposes.** Each landlord required to collect the Use and Occupancy Tax shall be relieved of all responsibility with regard to the collection of tax if the landlord obtains from the user or occupier a copy of Federal Exemption Notice and submits that copy with the first tax return filed after receipt of such Notice covering the property concerned. Any portion of the tax exempted for this reason must be reported on Line 3 of Form UO1.
4. **Real estate, or the portion thereof, used in conduct of port related activities, i.e., piers, wharves and marine terminal facilities** entering into or abutting either the Delaware or Schuylkill Rivers which are within the confines of the City of Philadelphia. Any portion of the tax exempted for this reason must be reported on Line 3 of Form UO1.
5. **Vacant property.** Commercial properties that are vacant are not taxed, but a landlord **must** still file a Form UO1 to indicate the vacancy. Similarly, the portion of a commercial property not in current business use is not taxed but must be reported. Use Line 2 of the Form UO1 for this purpose.

BUSINESS USE & OCCUPANCY TAX RETURN INFORMATION

Business U&O Tax Account #: If a landlord has only one business property, the Business Use & Occupancy Tax Account Number printed on the U&O tax return (Form UO1) is the same seven-digit number the landlord uses for filing Business Privilege Tax returns. If a landlord has two or more business properties, the Business Use and Occupancy Tax Account Number printed on the U&O tax return for each additional property will have nine digits. The two additional digits link the specific property to the landlord.

Property Account #: This is the account number assigned by the Board of Revision of Taxes.

Tax Period/Year Code: Internal coding used for optical scanner processing. See chart on Page 3.

Property Location: This is the address of the property used for business purposes.

Tax Period Covering: This is the period/year being reported based on the parameters determined by the Department of Revenue.

Assessed Value: This is the taxable value of the property as determined by the Board of Revision of Taxes.

Due Date: The UO1 tax return, UO3 return (if required), and the payment must be submitted on or before this date to avoid fines and/or interest and penalty.

INSTRUCTIONS FOR FORM UO1

Line 1: Maximum Tax for Period - this represents the maximum business use and occupancy tax on a property for a given filing period. If this line is blank, call (215) 686-6600 to determine the maximum tax for the period.

Line 2: Vacant Amount - this represents a part of the maximum tax not due because some portion of the commercial area was not occupied for business use during the filing period. Divide the vacant area by the total area of the property, then multiply the result by the maximum tax (Line 1).

Line 3: Non-Taxable Exempt Amount - this represents a part of the maximum tax not due because some portion of the commercial area was used by a tax exempt entity. Divide the exempt area by the total area of the property, then multiply the result by the maximum tax (Line 1).

Line 4: Non-Taxable Residential Amount - this represents a part of the maximum tax not due because some portion of the total area was used for residential purposes. Divide the residential area by the total area of the property, then multiply the result by the maximum tax (Line 1).

Line 5: Delinquent Tenant Amount - this represents a part of the maximum tax owed by tenants but not paid to the landlord by the due date. To receive credit against the maximum tax and be relieved of the liability, complete form UO3 and enter the **Tax Unpaid by Tenants** on Line 5 of the UO1 form. Use as many UO3 forms as necessary and enter the sum of their page totals on Line 5. See instructions for Form UO3 on Page 3.

Line 6: Keystone Opportunity Zone Amount - this represents a part of the maximum tax not due because the landlord or tenant has qualified for this credit. To qualify, the property must be located within the boundaries of a Keystone Opportunity Zone. For more information on Keystone Opportunity Zones, call the Philadelphia Commerce Department at 215-683-2021.

Line 7: Total of Lines 2, 3, 4, 5 and 6 - add lines 2, 3, 4, 5 and 6 and enter the result on line 7.

Line 8: Tax Due - this represents the tax due after all credits against the maximum tax have been taken. Subtract Line 7 from Line 1 and enter the result on Line 8 (if this is a negative number, enter zero).

Line 9: Discount - see Page 4, When and Where to File the Tax. If the landlord is entitled to the discount, multiply Line 8 by 1% and enter the result on Line 9. Discount is not deducted on any tax due by the owner or advance payments made prior to a taxable period.

Line 10: Net Tax Due - this represents the tax due after taking the discount, if eligible. Subtract Line 9 from Line 8 and enter the result on Line 10 and in Box A on the payment coupon.

Line 11: Interest & Penalty - are imposed for failure to pay the tax due or remit the tax collected by the due date. See the Interest and Penalty chart on Page 4 for calculation information. Enter the amount on Line 11 and in Box B on the payment coupon.

Line 12: Total Due - this represents the sum of tax principal, interest and penalty due from the taxpayer (landlord, owner, agent) for the filing period. Add Line 10 and Line 11; enter the result on Line 12 and in Box C on the payment coupon. Make check payable to "City of Philadelphia".

REPORTING INFORMATION ON UNPAID TENANT UO3 RETURN

The landlord or agent must report to the Department of Revenue the following information on tenants who fail to pay the tax due or any part of the tax due for a taxable period:

- a) Name of the tenant
- b) Tenant's Business Tax Account Number and/or Federal ID Number
- c) Amount of tax not paid by the tenant for the taxable period.

The completed UO3 return must be signed by the preparer and submitted with the tax return by the due date for the tax return. The UO3 return filed without the required information will not be accepted as filed timely.

If the landlord or agent is unable to obtain the tenant's Business Tax Account Number and/or Federal ID Number, attach to the UO3 return a copy of the letter sent to the tenant requesting the information and mail it with the UO1 return.

INSTRUCTIONS FOR FORM UO3

Important note: The Business U&O Tax Account #, Property Account #, and Tax Period/Year Code **must** be completed to receive this credit. **Copy these numbers directly from the UO1 form.**

Business U&O Tax Account # - this is the pre-printed number appearing in the upper right-hand area of the UO1.

Property Account # - this is the pre-printed number appearing below the **Business U&O Tax Account #** on the UO1.

Tax Period/Year Code - this is the pre-printed number appearing below the **Property Account #** on the UO1.

Landlord Name - this is the pre-printed name appearing with the mailing address in the upper left-hand area of the UO1.

Property Location - this is the address of the property used for business purposes. It appears below the mailing information in the upper left-hand area of the UO1.

The Business Tax Account #, the Federal EIN / Social Security #, as well as the amount of unpaid tax, must be completed for each unpaid tenant in order to receive the credit. Enter the information required on Lines 1 through 14 of the UO3, total the amounts unpaid by tenants and enter the result on the line labeled **Page Total for Tax Unpaid by Tenants** and on Line 5 of the UO1. Use as many UO3 forms as necessary, entering the sum of their page totals on Line 5 of the UO1. You can download form UO3 from the "Tax Forms" section of our web site - www.phila.gov/revenue.

LATE PAYMENT OF TAX DUE BY TENANT

Subsequent to the filing of a timely UO3 return the tenant must pay the delinquent tax, interest and penalty directly to the City. All payments must be submitted with the following:

- a) Tenant's Name
- b) Tenant's Philadelphia Business Tax Account and/or Federal ID Number
- c) Taxable period(s) being paid
- d) Amount of tax paid for each period
- e) Amount of interest and penalty paid for each period

TAX PERIOD CODES

You need to know the Tax Period Code before filing UO1 and UO3 tax returns. These codes, which are based on filing frequency, are as follows:

Frequency	Calendar Reference	Period Code	Frequency	Calendar Reference	Period Code
Monthly	January	01	Quarterly	January to March	21
	February	02		April to June	22
	March	03		July to September	23
	April	04		October to December	24
	May	05	Semi-Annual	January to June	31
	June	06			
	July	07		July to December	32
	August	08			
	September	09			
	October	10			
	November	11			
	December	12			

WHEN AND WHERE TO FILE AND PAY THE TAX

- 1. TENANTS.** Tenants using or occupying real estate for business purposes must pay this tax to the landlord by the 10th day of the last month of the taxable period.
- 2. MONTHLY RETURNS.** Each owner or landlord required to file a monthly return must do so by the 25th day of the taxable month. If the 25th day falls on a weekend or holiday, the return is due on the first business day after the 25th.
- 3. QUARTERLY AND SEMI-ANNUAL RETURNS.** Each owner or landlord required to file a quarterly or semi-annual return must do so by the 25th day of the last month of the taxable period. If the 25th day falls on a weekend or holiday, the return is due on the first business day after the 25th.
- 4. DISCOUNTS.** Effective September 1986, persons required to collect the tax from a tenant may be entitled to a 1% discount on the total tax due and collected if the return is submitted on or before the 25th day of the month the tax return is due. The discount may not be deducted on the portion of tax due for use or occupancy by the owner or on advance payments made prior to a taxable period.

The tax return and payment of tax due is to be mailed to:

City of Philadelphia
Department of Revenue
P.O. Box 1049
Philadelphia, PA 19105

Payments may be made in person at 1401 John F. Kennedy Boulevard, Municipal Services Building, Public Service Concourse.

INTEREST AND PENALTY

Any person subject to this tax who fails to pay the tax due or to remit the tax collected by the due date, shall be required to pay interest and penalty on the amount of unpaid tax calculated from the due date.

Month after Due Date	Interest	Penalty	Combined I&P	Cumulative I&P
1st	1%	1%	2%	2%
2nd	1%	1%	2%	4%
3rd	1%	1%	2%	6%
4th	1%	2%	3%	9%
5th	1%	2%	3%	12%
6th	1%	2%	3%	15%
7th	1%	3%	4%	19%
8th	1%	3%	4%	23%
9th	1%	3%	4%	27%
10th	1%	4%	5%	32%
11th	1%	4%	5%	37%
12th	1%	4%	5%	42%

For each additional month or fraction thereof, add 1% for interest and 1¼% for penalty.

NOTE: Payments made with returns filed after the due date that do not include applicable interest and penalty will be **automatically pro-rated** among principal, interest and penalty. You will be subsequently billed for the remaining tax balance and associated interest and penalty.

CLOSING A U&O ACCOUNT

To close a Business Use & Occupancy account due to the sale of a property, you must send a **Change Form** along with a copy of the settlement sheet showing the name and address of the buyer to the address on the Change Form.

CONTACT INFORMATION

Direct correspondence to: Philadelphia Revenue Department
P.O. Box 53250
Philadelphia, PA 19105

Direct telephone inquiries to: 215-686-6600
Send e-mail to: revenue@phila.gov
Visit our web site at: www.phila.gov/revenue

Business Use & Occupancy Tax Period Codes

If you download a UO1 and /or a UO3 tax return, you need to know the Tax Period Code. These codes, which are based on filing frequency, are as follows:

<u>Frequency</u>	<u>Calendar Reference</u>	<u>Period Code</u>	<u>Due Date</u>
<i>Monthly</i>	January	01	January 26, 2009
	February	02	February 25, 2009
	March	03	March 25, 2009
	April	04	April 27, 2009
	May	05	May 26, 2009
	June	06	June 25, 2009
	July	07	July 27, 2009
	August	08	August 25, 2009
	September	09	September 25, 2009
	October	10	October 26, 2009
	November	11	November 25, 2009
	December	12	December 28, 2009
<i>Semi-annual</i>	January to June	31	June 25, 2009
	July to December	32	December 28, 2009
<i>Quarterly</i>	January to March	21	March 25, 2009
	April to June	22	June 25, 2009
	July to September	23	September 25, 2009
	October to December	24	December 28, 2009