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# MEMORANDUM

**To:** Frank Breslin, Revenue Commissioner

**CC:** Rebecca LopezKris, Deputy Revenue Commissioner  
Tilahun Afessa, Director of Policy  
Joseph F. Procopio, Jr., Manager—Technical Staff


**From:** Frances Ruml Beckley, Chief Revenue Counsel

**Date:** June 28, 2022

**Re:** *Amendment to General Regulations Relating to Taxes and Other Revenues – Section 204 – Changes Made by the Federal Government.*

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I have reviewed the attached amendment repealing Section 201(7) of the General Regulations in its entirety and adding Section 204 entitled *Changes Made by the Federal Government* to incorporate the addition of Philadelphia Code § 19-515 made by Bill No. 210139-AA, signed by the Mayor on May 19, 2021. I find the amendment to be legal and in proper form. In accordance with Section 8-407(a) of The Philadelphia Home Rule Charter, you may now forward the amendment to the Department of Records where it will be made available for public inspection.

  
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Frances Ruml Beckley



**DEPARTMENT OF REVENUE**  
**GENERAL REGULATIONS RELATING TO TAXES AND OTHER REVENUES**

**ARTICLE I**

**GENERAL PROVISIONS**

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**ARTICLE II**

**FILING RETURNS AND PAYMENT OF TAX**

**Section 201. Filing Returns.**

- (1) Where Return is to be Filed. All returns must be filed with the Department, Municipal Services Building, Philadelphia, Pa. Failure to receive tax forms will not excuse a taxpayer for failure to file his return.
- (2) Information to be Included in Return. Each return must indicate the taxpayer's name, business, business name and address, and such other information as may be required by the Department for the purpose of calculating the amount of tax due.

In calculating the amount of tax due, the Department may require that decimals (i.e. cents) are rounded to the nearest whole number (i.e. dollar). If the number behind the decimal point is less than 5 (i.e. 50 cents), it is rounded down to the nearest whole number. If the number behind the decimal point is 5 or more (i.e. 50 cents or more), it is rounded up to the nearest whole number.<sup>1</sup>

EXAMPLE 1: \$10.40 rounded to the nearest whole number (i.e. dollar) is \$10.

EXAMPLE 2: \$10.70 rounded to the nearest whole number (i.e. dollar) is \$11.

If the taxpayer maintains more than one place of business in Philadelphia, he is required to file only one return and to report therein transactions occurring in all of his places of business in Philadelphia. If one return covers more than one place of business, a schedule shall be attached to the return showing the various locations at which the taxpayer conducts business in Philadelphia.

- (3) Cash or Accrual Basis. A tax return may be filed on a cash basis or accrual basis, but the return must be prepared in accordance with proper financial accounting procedures.

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<sup>1</sup> This paragraph and examples added by regulation submitted to the Department of Records October 2, 2013 (effective November 1, 2013).

The method shall reflect the gain or (loss) resulting from the activity of a business, profession or enterprise which occurs during the usual operations; inclusive of the sale, exchange or disposition of assets of an ongoing or terminated entity. Transactions must be identifiable, necessary, and reasonable to the business, after allowance for applicable costs.<sup>2</sup>

A person who keeps his books on a cash basis will report receipts actually on constructively received during the period used as the measure of the tax. A person who keeps his books on the accrual basis will report all sales made, services rendered, etc. during the period used as the measure of the tax, irrespective of the date any monies are collected from the customers.

- (4) Signature and Certification of Return. If the taxpayer is an individual, he shall sign the return. If the taxpayer is a partnership, the return shall be signed by at least one of the general partners. If the taxpayer is a corporation, the return shall be signed by a duly authorized officer thereof, and the corporate seal shall be affixed.

If the taxpayer because of illness or absence from the City is unable to make the certification and file the return, the return may be certified and filed by an authorized agent. In such case, the return is to be accompanied by a letter setting forth the reason for the taxpayer's inability to act personally. A power of attorney showing the agent's authority to certify to the correctness of the return is to be submitted. If the taxpayer is deceased, the return is to be made and filed by his legal representative.

- (5) Records to be Kept by Taxpayers. ALL taxpayers including employers subject to any tax levied under Chapter 19 of the Code are required to keep such records as will enable the filing of true and accurate returns, and such records are to be preserved for a period of not less than six years to enable the Commissioner of Revenue or any agent or employee of the Commissioner of Revenue to verify the correctness of the returns filed.
- (6) Extension of Time To File Return. The Department may, upon proper cause shown, grant a taxpayer extension of not more than 60 days for the filing of any return. Application for such extension shall be made on or before the last day for the payment of the tax, in such form as the Department prescribes.<sup>3</sup>

Where the Internal Revenue grants an additional extension of time for filing tax returns, the Department may grant an additional extension of time for filing the

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<sup>2</sup> Numbered paragraph (8) in 1988 amendment.

<sup>3</sup> Amended by regulation submitted to the Department of Records on February 25, 1980 (effective March 27, 1980).

return affected thereby, not to exceed the date of termination of the Federal extension period. The additional City extension may be obtained by filing the form titled, Application for Extension of Additional Time to File Self-Assessed Tax Returns. The form is the last page of the tax booklets or may be obtained from the Department on request. Attach a copy of the Federal extension grant to the form. The extension will not relieve the taxpayer from the obligation to pay interest and penalty from the date such return was originally due on any amount in excess of the estimated tax paid.

~~[(7) Report of Changes Made in Federal Tax Return. If as a result of a change made in business income by the Internal Revenue Service an additional amount is found to be owing the City, the Taxpayer shall file with the City a report of such change and pay the tax due within seventy-five (75) days of receipt from the federal authorities of the final notice of such change.]~~

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#### Section 204. Changes Made by the Federal Government.

##### (1) Definitions. The following definitions shall apply to this Section:

(a) "Final Determination" means an adjustment to a taxpayer's federal taxable income from an initial filing that has been resolved through any of the following circumstances:

(.1) The taxpayer has final income tax liability resulting from a federal audit including any requisite review by the U.S. Department of Justice or congressional Joint Committee on Taxation and has not timely filed a petition for redetermination or claim for refund for any portion of the audit.

(.2) The taxpayer has signed all Internal Revenue Service (IRS) Forms 870, closing agreement(s), or other IRS forms(s) for the tax period, consenting to the deficiency or consenting to any over-assessment that is final for all issues and no longer subject to appeal.

(.3) A decision of the United States Tax Court, a United States District Court or Court of Appeals, the United States Court of Claims, or the United States Supreme Court has become final.

(b) "Report of Change" means a form or other documentation, as may be established by the Department of Revenue by Regulation, used by a taxpayer to: report additional Philadelphia tax due, request a claim for refund or credit of Philadelphia tax paid, or make other adjustments to Philadelphia tax reports as a result of a Final Determination.

**(2) Whenever a Final Determination is made of a taxpayer's federal taxable income for any tax year, the taxpayer shall timely file a Report of Change with the Department.**

**(3) Required Filing. The Department of Revenue requires the submission of such documentation as is reasonably necessary to inform the Department of adjustments to the taxpayer's federal taxable income resulting from a Final Determination and the impact of such adjustments on the taxpayer's Philadelphia tax liability.**

**(4) Filing Deadline. A Report of Change shall be filed with the Department within 180 days following a Final Determination. Failure to timely file a Report of Change shall result in the imposition of an estimated tax assessment along with all interest, penalties, and fines as prescribed by the applicable sections of the Philadelphia Code.**

**(5) Upon receipt of a Report of Change, the Department of Revenue shall determine whether the Final Determination: (a) requires an assessment of additional Philadelphia tax, interest, and penalties owed; (b) qualifies the taxpayer for a refund or credit of excess Philadelphia taxes paid; or (c) results in other changes to the taxpayer's Philadelphia tax liability.**

**(6) The Department shall issue any assessment of additional Philadelphia tax, interest, and penalties arising directly from adjustments to a taxpayer's federal taxable income within the later of:**

**(a) The expiration of the limitations period specified for the relevant tax in § 19-510.1 of the Philadelphia Code;**

**(b) The expiration of the one (1) year period following the date of filing of the Report of Change; or**

**(c) If the taxpayer fails to timely file a Report of Change, the expiration of the one (1) year period following the date on which the Internal Revenue Service, Pennsylvania, another state, or an organization representing and/or conducting audits for the states' tax agencies, notifies the Department, in writing, that a Final Determination has been made with respect to the taxpayer's federal taxable income for a specified tax year.**

**(7) If a Report of Change is filed for a tax year for which the applicable statute of limitations has expired, any adjustments to the taxpayer's Philadelphia tax liability shall be limited to changes arising directly from the federal adjustments in the Report of Change. Any further adjustments to the taxpayer's Philadelphia tax liability require written agreement of the taxpayer and the Department.**

**(8) Should a timely filed Report of Change result in overpayment of tax, the taxpayer may apply for a refund or use the overpayment as a credit against its future tax liabilities.**

**(9) If a Report of Change is timely filed, pursuant to paragraph (4) of this Section, for a**

tax year for which the applicable refund or credit statute of limitations has expired, any adjustments reducing the taxpayer's Philadelphia tax liability shall be limited to changes arising directly from a Final Determination reported in the Report of Change, and, at the taxpayer's request, shall either be refunded to the taxpayer or be credited against the taxpayer's future tax liability.

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[ ] ~~strikethrough~~ and bold denotes matter deleted.

\_\_\_ and bold denotes new matter.



Frank Breslin, Revenue Commissioner and Chief Collection Officer

Date: 6/29/2022

