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**Bill number:** 250647

**Introduced by:** Thomas

**Cosponsor(s):** Not Applicable

**Assigned committee:** Finance

**Date introduced:** 06/12/2025

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## Fiscal Note

### Overview

This bill would establish a Philadelphia Performing Arts Tax Credit. The anticipated cost to the City is up to \$4.25 million over five years.

### Legislative Summary

This bill would create a tax credit that certain businesses (hotels, motels, and restaurants) may apply towards their business income and receipts tax (BIRT) liability. Businesses may be eligible for the tax credit starting in tax year 2026 and any tax year in which the businesses utilized the services of Philadelphia-based performing artists or organizations. The amount of the tax credit would equal either \$400 or 15 percent of the cost, whichever is greater, to pay for the services of the artist or organization. The artist or organization may be contracted or retained by the business for their services.

### Documentation Requirements

A business seeking a Philadelphia Performance Artist Tax Credit must file an application with the Revenue Department. Along with the application, the applicant must provide:

- Documentation verifying that the performing artist is Philadelphia-based (e.g. a valid Pennsylvania driver's license with a Philadelphia address).
- Tax documents or financial records verifying that the artist derived at least \$5,000 or 15 percent of their total gross income from the performing arts in the prior tax year (e.g. Schedule C of IRS Form 1040, IRS Form 1099-NEC, IRS Form W-2).

### Tax Credit Caps and Maximums

The maximum amount of credits that a business may receive in a single tax year is \$75,000. Unused tax credits may not be carried forward.

The Department of Revenue would accept applications for the tax credit on a "first come-first served" basis until the total amount of credits for a particular year reaches \$1 million, effectively capping the tax credits available to \$1 million. When necessary, the Department of Revenue would randomly choose among applicants that apply on the same date.

## **Proposed Effective Date**

This legislation would be effective on July 1, 2026.

## **Fiscal Impact Analysis**

The estimated cost of implementing this legislation is summarized in the following tables. The total cost is estimated to be up to \$4.25 million over the next five years.

### ***Expenditure***

Expenditure Impact Summary	FY26	FY27	FY28	FY29	FY30	Total
<b>Expenditure Increase/(Decrease)</b> Class 200: Purchase of Services	-	Up to \$250,000	-	-	-	<b>Up to \$250,000</b>
<b>Total Cost</b>	-	<b>Up to \$250,000</b>	-	-	-	<b>Up to \$250,000</b>

### ***Department of Commerce***

The Department anticipates absorbing any costs resulting from the enactment of this legislation within its existing resources. However, implementation would require educational components for both internal and external stakeholders. Commerce has partnerships with local chambers of commerce, business improvements districts and business associations. Any modification to business requirements in the City of Philadelphia would prompt Commerce to educate and train their current staff about the regulation and create plans for best practices to assist businesses with compliance.

### ***Department of Revenue***

If this legislation is enacted, the Department of Revenue estimates it would result in a one-time cost up to \$250,000 to develop the procedures and programming for this new tax credit. For example, the Department would need to make updates to their software system, PRISM. Additionally, the Department would create an application form for the new tax credit.

**Total Cost: Up to \$250,000**

**Revenue**

Revenue Impact Summary	FY26	FY27	FY28	FY29	FY30	Total
<b>Revenues</b>						
<b>Increase/(Decrease)</b>						
General Fund	-	(Up to \$1,000,000)	(Up to \$1,000,000)	(Up to \$1,000,000)	(Up to \$1,000,000)	<b>(Up to \$4,000,000)</b>
<b>Total Decrease in Revenue</b>	-	<b>(Up to \$1,000,000)</b>	<b>(Up to \$1,000,000)</b>	<b>(Up to \$1,000,000)</b>	<b>(Up to \$1,000,000)</b>	<b>(Up to \$4,000,000)</b>

If this legislation is enacted, the new tax credit would apply to tax year 2026. Therefore, the revenue impact would not impact revenue collections until fiscal year 2027. Businesses would be eligible to apply for this tax credit in fiscal year 2027, when their tax year 2026 BIRT liability is due.

This bill would allow certain businesses to apply for up to \$75,000 worth of credit towards their BIRT liability. However, the bill would also limit the total amount of credits given to \$1 million per year. As detailed in the above table, this legislation would decrease revenue up to \$1 million per year, starting in fiscal year 2027.

**Total Decrease in Revenue: Up to \$1 million per year**

**Legislative History**

Not applicable.

**Prepared by:** Policy and Fiscal Analyst Unit, Mayor's Office of Legislative Affairs

**Date:** 11/19/2024

This document is a summary of proposed legislation as introduced and is prepared by the Mayor's Office of Legislative Affairs for general information only. It does not represent the official legal position of the City. Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.