The Use and Occupancy Tax Regulations is being amended due to the enactment of City Council Bill No. 180139. For Use and Occupancy Tax Years beginning July 1, 2019 and thereafter, the Assessed Value used for the computation of the Tax shall be the Assessed Value applicable to the Real Estate Tax during the Calendar Year the tax reporting period falls within.

USE OR OCCUPANCY TAX REGULATIONS

ARTICLE I

GENERAL PROVISIONS

Section 101. Definitions

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(c)   "Tax Year." The period commencing July 1 of any calendar year and extending through June 30 of the following calendar year.

***

Section 505. Computation of Tax.

(a)   If it is necessary to allocate the tax, the following factors must be available to the person preparing the return in order to compute the tax due:

Total square feet available for use or occupancy;

Square feet used or occupied;

Most recent assessed value of property;

Days of actual use or occupancy.

(b)   Use or occupancy for a portion of a day shall be deemed to be use or occupancy for a full day.

(c)   Illustration of Tax Computation. – For Tax Years Ending on or Before June 30, 2013.

The tax to be paid periodically by the user or occupier of real estate, whether owner or tenant, shall be computed in accordance with the following formula:

***

(d)   Computation for Tax Years beginning on or after July 1, 2013. The tax to be paid by the user or occupier, for the tax year beginning July 1, 2013, and for all tax years thereafter, shall be computed as follows:

(.1) First, calculate the following product: Sq. ft. occupied or used x Assessed Value Total sq. ft. available for use or occupancy on the real estate

(.2) Next, subtract the Exemption Amount from the foregoing product.

(.3) If the foregoing difference is less than zero, the tax liability is zero. Otherwise, multiply the foregoing difference by the following: Tax Rate x Days of actual use or occupancy/360

(.4) For purposes of this subsection 505(d):

> (A) ***For Tax Years beginning prior to July 1, 2019,*** Assessed Value shall mean the assessed value of the real estate as most recently returned by the Office of Property Assessment as required in 53 Pa. C.S.A. § 8565(c) prior to the start of the Tax Year, which for this tax begins July 1.

> (B) ***For Tax Years beginning July 1, 2019, and thereafter, Assessed Value shall mean:***

>> ***(i) For use and occupancy from July 1 of the Tax Year until December 31 of the Tax Year: the assessed value of the real estate applicable to real estate taxes due during such calendar year.***

>> ***(ii) For use and occupancy from January 1 of the Tax Year until June 30 of the Tax Year: the assessed value of the real estate applicable to real estate taxes due during such calendar year.***

>> ***Illustration No 1:***

>> ***Fact:***

>> ***John Smith is the owner and sole user and occupant of an office building. The assessed value of the property for Real Estate Tax purposes as certified by the Office of Property Assessment in***

>> ***a) March 2017 for Real Estate Tax Year 2018 is $250,000,***

>> ***b) March 2018 for Real Estate Tax Year 2019 is $300,000 and***

>> ***c) March 2019 for Real Estate Tax Year 2020 is $350,000***

>> ***The Use and Occupancy Tax Year is the period commencing July 1 of a calendar year and extending through June 30 of the following calendar year.***

Question:

What is the Assessed Value used to calculate the U&O Tax due for:

1) Tax Year 2017;

Answer:

U&O Tax Year 2017 begins on July 1, 2017 and ends on June 30, 2018. The assessed value of the property for calendar year 2018 (as certified on March 31, 2017) is $250,000. Therefore, the U&O Tax due for Tax Year 2017 would be calculated using the 2018 certified assessed value of $250,000.

2) Tax Year 2018;

Answer:

U&O Tax Year 2018 begins on July 1, 2018 and ends on June 30, 2019. The assessed value of the property for calendar year 2019 (as certified on March 31, 2018) is $300,000. Therefore, the U&O Tax due for Tax Year 2018 would be calculated using the 2019 certified assessed value of $300,000.

3) Tax Year 2019.

Answer:

U&O Tax Year 2019 begins on July 1, 2019 and ends on June 30, 2020. For Tax Years beginning July 1, 2019, and thereafter, Assessed Value shall mean:

(i) For the period from July 1 through December 31 of the Tax Year, U&O taxes would be calculated based upon the certified assessed value of that particular calendar year. For example, July 1, 2019 through December 31, 2019 is within calendar year 2019 therefore, the U&O taxes would be calculated based upon the 2019 certified assessed value of the property (as certified on March 31, 2018). In this case, it is $300,000.

(ii) For the period from January 1 of the Tax Year until June 30 of the Tax Year, U&O taxes would be calculated based upon the certified assessed value of that particular calendar year. For example, January 1, 2020 through June 30, 2020 is within calendar year 2020 therefore, the U&O

taxes would be calculated based upon the 2020 certified assessed value of the property (as certified on March 31, 2019). In this case, it is $350,000.

(B) The Exemption Amount shall be $177,000 per property for Tax Years beginning July 1, 2013 and ending June 30, 2015. The Exemption Amount shall be $165,300 per property for Tax Years beginning July 1, 2015 and thereafter. Where there are multiple taxpayers using or occupying a property, the Exemption Amount shall be allocated equally among all such taxpayers regardless of the square footage of space occupied by the respective taxpayer. For example, if a building is occupied by five (5) tenants subject to the tax, the Exemption Amount (i.e. $165,300) will be allocated equally so that each taxpayer will receive $33,060 (i.e. $165,300 /5) regardless of the square footage occupied by each tenant. Every landlord shall provide to the tenants of a property the number of users or occupiers of the property.

(C) The Tax Rate shall be one and thirteen hundredths percent (1.13%) for Tax Years beginning July 1, 2013 and ending June 30, 2015. The Tax Rate for Tax Years beginning July 1, 2015 and thereafter shall be one and twenty-one hundredths percent (1.21%).

For purposes of the computation, occupancy during an entire month is occupancy for 30 days, regardless of the number of calendar days in the month or the number of business days in the month; the resultant amounts are rounded.

***

Legend:

New Matter: **Bold**, *Italics* and <u>Underlined</u>

Deleted Matter: **Bold**, *Italics* and in [Brackets].

_____ Date: 8 - 3 - 18

Frank Breslin CPA, Revenue Commissioner