This is an amendment to the Department of Revenue's Use and Occupancy Tax Regulations Section 505. Computation of Tax. This amendment is due to the enactment of City Council Bill No. 150535 on June 18, 2015 which provides for changes in the Exemption Amount and Tax Rate for Tax Years beginning July 1, 2015 and thereafter. This regulation also clarifies the Assessed Value to be used for the Tax Year that begins on July 1.

USE AND OCCUPANCY TAX REGULATIONS

ARTICLE V

RETURNS AND PAYMENT OF TAX

***

Section 505. Computation of Tax.

***

(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:

$$\frac{\text{Sq. ft. occupied or used}}{\text{Total sq. ft. available for use or occupancy on the real estate}} \quad \text{x} \quad \text{Assessed Value}$$

    (.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) 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 [y] Year, **which for this tax begins July 1.**

(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 [, so that each taxpayer's Exemption Amount shall be $177,000 divided by the number of taxpayers using or occupying the property] **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.

Illustration No. 1:

John Smith is the owner and sole user and occupant of a commercial building with 10,000 square feet available for use or occupancy. Mr. Smith uses the entire property available for use (i.e., no vacant space or exempt space). In March 201[3]**5**, the Office of Property Assessment certified an assessed value of the property at $200,000 for the Tax Year beginning July 1, 201[3]**5**. Mr. Smith is required to file and pay the tax monthly. (See subsection 503(a).)

Computation of tax due for the period July 1, 201[3]**5**, through June 30, 201[4]**6**, would be as follows:

(10,000 sq. ft./10,000 sq. ft.) x $200,000 = $200,000;

$200,000 - $[177,000] **165,300** (exemption amount) = $[23,000]**34,700**;

$[23,000] **34,700**x [1.13]**1.21**% x 360/360 = $[260] **420** annual tax due;

The tax due each month would be $[22] **35**($[260] **420**/12).

Illustration No. 2:

John Smith is the owner and sole user and occupant of a commercial building with 10,000 square feet available for use or occupancy. Mr. Smith uses the entire property available for use (i.e., no vacant space or exempt space). In March 201[3]**5** the Office of Property Assessment certified an assessed value of the property at $150,000 for the Tax Year beginning July 1, 201[3]**5**. Mr. Smith is required to file and pay the tax monthly. (See subsection 503(a).)

Computation of tax due for the period July 1, 201[3]**5**, through June 30, 201[4]**6**, would be as follows:

(10,000 sq. ft./10,000 sq. ft.) x $150,000 = $150,000;

$150,000 - $[177,000] **165,300** (exemption amount) = [-$27,000] -**15,300** (less than zero)

Mr. Smith's tax liability would be $0 because the difference, after subtracting the exemption amount, is an amount less than zero – no further calculation is required.

Illustration No. 3:

John Smith is the owner of a commercial building which measures 90,000 square feet; service, utility and common areas total 5,000 square feet. The total square feet available for use or occupancy is 85,000 square feet (i.e., 90,000 sq. ft. less 5,000 sq. ft. service, utility and common areas). Mr. Smith leases the property to five tenants who use the entire leased space for business. One tenant uses and occupies 42,500 sq. ft. of the leasable space; the other four tenants each occupy 10,625 sq. ft. of the leasable space. In March 201[3]**5**, the Office of Property Assessment certified an assessed value of the property for the Tax Year beginning July 1, 201[3]**5** at $1,000,000. Mr. Smith is required to collect the tax from the five tenants and to file and remit the tax monthly. (See subsection 503(a).)

Computation of tax due for the period July 1, 201[3]**5** , through June 30, 201[4]**6**, for the tenant occupying 50% of the space would be as follows:

(42,500 sq. ft. / 85,000 sq. ft.) x $1,000,000 = $500,000;

$[177,000]**165,300** (exemption amount) / 5 = $[35,400]**33,060** exemption per tenant

$500,000 - $[35,400] **33,060** (exemption amount) = $[464,600] **466,940**;

$[464,600] **466,940** x [1.13] **1.21**% x 360/360 = $[5,250] **5,650** annual tax due;

The tax due each month would be $[438]**471** ($[5,250] **5,650**/12).

Computation of the tax due for the period July 1, 201[3]**5**, through June 30, 201[4]**6**, for the other four tenants would be as follows:

(10,625 sq. ft. / 85,000 sq. ft.) x $1,000,000 = $125,000;

$[177,000]**165,300** (exemption amount) / 5 = $[35,400]**33,060** exemption per tenant

 $125,000 - $[35,400]**33,060** (exemption amount) = $[89,600] **91,940**;

$[89,600] **91,940** x [1.13] **1.21**% x 360/360 = $[1,012] **1,112** annual tax due;

The tax due each month would be $[84] **93** ($[1,012] **1,112** /12).

John Smith is required to collect a total of $[774] **843** each month from his tenants ([$438 + $84 + $84 + $84 + $84] **$471 + $93 + $93+ $93 + $93**).

John Smith is entitled to a 1% discount and would be required to remit a total of $[766] to the City each month ($[774] **843** - 1% discount). (See subsection 504(a)(2)(c).)

Illustration No. 4:

John Smith is the owner of a commercial building which measures 90,000 square feet; service, utility and common areas total 5,000 square feet. The total square feet available for use or occupancy is 85,000 square feet (i.e., 90,000 sq. ft. less 5,000 sq. ft. service, utility and common areas). Mr. Smith leases the property to five tenants who use the entire leased space for business. Three (3) of the five (5) tenants are not subject to the tax and occupy 70% of the leasable space. (See Article III – "Exemptions and Exclusions from Tax."); the two (2) taxpayer tenants occupy 10% and 20% of the leased space, respectively. One tenant uses and occupies 8,500 sq. ft. (i.e., 10%) of the leasable space; the other taxpayer tenant uses and occupies 17,000 sq. ft. (i.e., 20%) of the leasable space. In March 201[3]**5**, the Office of Property Assessment certified an assessed value of the property for the Tax Year beginning July 1, 201[3]**5** at $1,000,000. Mr. Smith is required to collect the tax from the two taxpayer tenants and to file and remit the tax monthly. (See subsection 503(a).)

Computation of tax due for the period July 1, 201[3]**5**, through June 30, 201[4]**6**, for the taxpayer tenant occupying 10% of the space would be as follows:

(8,500 sq. ft. / 85,000 sq. ft.) x $1,000,000 = $100,000;

$[177,000] **165,300** (exemption amount) / 2 = $[88,500] **82,650** exemption per taxpayer tenant

$100,000 - $[88,500] **82,650** (exemption amount) = $[11,500] **17,350**;

$[11,500] **17,350** x [1.13] **1.21**% x 360/360 = $[130] **210** annual tax due;

The tax due each month would be $[11] **18** ($[130] **210** /12).

Computation of the tax due for the period July 1, 201[3]**5**, through June 30, 201[4]**6**, for the taxpayer tenant occupying 20% of the space would be as follows:

(17,000 sq. ft. / 85,000 sq. ft.) x $1,000,000 = $200,000;

$ [177,000] **165,300** (exemption amount) / 2 = $[88,500] **82,650** exemption per taxpayer tenant

$200,000 - $[88,500] **82,650** (exemption amount) = $[111,500] **117,350**;

$[111,500] **117,350** x [1.13] **1.21** % x 360/360 = $[1,260] **1,420** annual tax due;

The tax due each month would be $[105] **118** ($[1,260] **1,420** /12).

John Smith is required to collect a total of $[116] **136** each month from his taxpayer tenants ([$11 + $105] **$ 18 + $118**).

John Smith is entitled to a 1% discount and would be required to remit a total of $[115] **135** to the City each month ($[116] **136** - 1% discount). (See subsection 504(a)(2)(c).)

[ ] Brackets and bold indicate matter deleted.

__ Underline and bold indicate matter added.

signature

Frank Breslin CPA, Revenue Commissioner

Date: _6-29-2017_