

DEPARTMENT OF REVENUE

AMENDMENT TO SECTION 224 OF THE CITY OF PHILADELPHIA INCOME  
TAX REGULATIONS

Section 224 of the City of Philadelphia Income Tax Regulations is amended to read as follows:

**Section 224. Election for Real Estate Entities.**

\* \* \*

(b) Dividends Paid Deduction. For purposes of the Business Privilege Tax, REITs electing to compute net income pursuant to Method II shall in determining net income be permitted a deduction for dividends paid as provided by section 857 of the Internal Revenue Code [(or, in the case of a REIT described in clause (ii) of subsection (f)(6) of this section, as would be provided by section 857 of the Internal Revenue Code if such REIT were, in fact, a real estate investment trust as defined in section 856 of the Internal Revenue Code).]

\* \* \*

(f) Definitions. For purposes of this section the following definitions shall apply:

\* \* \*

(5) "Real Estate Entity." A REIT or a corporation, association, general partnership, limited partnership, limited liability partnership, trust, joint venture, limited liability company, proprietorship or similar entity organized under the laws of the United States, the Commonwealth of Pennsylvania, or any other state, territory, or foreign country or dependency, which is engaged in the business of holding, selling, or leasing owned real estate and which: (a) derives directly or indirectly seventy-five percent or more of its annual gross receipts from the ownership, leasing, or disposition of real estate whether voluntary or involuntary; and (b) owns real estate directly or indirectly, the book value of which comprises seventy-five percent or more of the value of its assets.

(6) "REIT." [Either: i) a] A real estate investment trust, as defined in section 856 of the Internal Revenue Code, [ or (ii) a partnership, with a REIT partner, that would qualify as a real estate investment trust if the partnership were classified for Federal

income tax purposes as an association taxable as a 37 corporation and elected pursuant to section 856(c)(1) of the Internal Revenue Code to be treated as a real estate investment trust. For purposes of applying section 856(a)(5) of the Internal Revenue Code (the 100 beneficial owners requirement) under clause (ii) of the preceding sentence, when an interest in a partnership is owned by a real estate investment trust, the shareholders of such real estate investment trust shall be deemed to be the beneficial owners of such interest.]

\* \* \*

Signature  \_\_\_\_\_

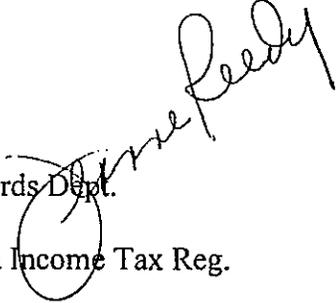
Date 12/8/08

Legend:      [Bracket] and **Bold** denote deletion  
                 Underline and **Bold** denote addition

MEMORANDUM

City of Philadelphia  
Date: December 21, 2009

To: Tilahun Afessa, Head of Technical Advisory Staff

From: Jeanne Reedy, Administrative Services Director, Records Dept. 

Subject: Amendment to Section 224 of the City of Philadelphia Income Tax Reg.

The above Amendment, which was originally filed with the Department of Records on December 19, 2008 was refiled on December 18, 2009, after hearings were held. This Regulation (refiled) on December 18, 2009 will become effective ten days later which is December 28, 2009