

2013 School Income Tax Return General Filing Information

The School District of Philadelphia imposes a tax on different classes of unearned income (i.e., income **not** subject to Philadelphia Business or Wage taxes). Examples of taxable income are dividends, certain interest, certain rents, and royalties. All residents of Philadelphia who receive these types of income must pay the tax.

Who should file - Only Philadelphia residents with taxable income. Review the instructions on Page 2 for a list of taxable income.

Interest on bank savings accounts, checking accounts and certificates of deposit issued by banks is not taxable.

If you were a resident of Philadelphia for only a portion of 2013, indicate your period of residency in the space provided on the return. Certain taxable income should be pro-rated based on your period of residency. For example, if you owned a stock for the entire year and received a dividend of \$1,000, but moved to Philadelphia on July 1, 2013, only \$500 of the dividend would be taxable. If this was your only taxable dividend, you would enter \$500 on Line 1 of the tax return.

If income was realized on a specific date, your residency on that date will determine its taxability. In the above example, if you had a short-term capital gain (held six months or less) that was realized on June 1, 2013, none of that gain is taxable since you were not a Philadelphia resident on that date. For further information, contact the Technical Staff at revenueadvisors@phila.gov.

Filing status - A husband and wife may file a combined return. However, losses from one spouse cannot be offset against gains from the other spouse.

Social Security Numbers - This return contains provisions for Social Security numbers. If these spaces are blank, complete them. Disclosure of Social Security numbers is required pursuant to the provisions of Title 19 of the Philadelphia Code and regulations promulgated thereto. Social Security numbers are used to identify taxpayers and to ensure compliance of all City tax laws. Social Security numbers are treated as confidential, except in the course of Department of Revenue official business.

Change Form - If the preprinted information listed on the return is incorrect, use a Change Form to make the necessary corrections. For example, if your spouse is deceased but the preprinted information pertains to your spouse, use a Change Form to indicate your name and Social Security number.

When to file - This return is due on or before April 15, 2014. **Failure to file and pay by this date will result in the imposition of interest and penalty.**

Where to file - Sign the return and mail to: Philadelphia Department of Revenue, P.O. Box 389, Philadelphia, PA 19105-0389

Internet Filing - To file this return online, go to www.phila.gov/revenue and select "Payments & E-File" then "E-File" then "File Online". **After submitting the return you must print the resulting confirmation page for your records.**

Payment of tax - If the tax due on Line 14 of the School Income Tax return is \$1 or more, make a check payable to "City of Philadelphia". Do not remit tax due if less than \$1. Internet filers can pay the tax due via credit card or e-check. A user fee is added when paying electronically.

To pay in person, come to the Municipal Services Building, Concourse Level, 1401 John F. Kennedy Boulevard. Non-cash payments may also be made at 9239 Roosevelt Boulevard (located in the back of the Northeast Shopping Center at Welsh Road) and at 2761 North 22nd Street (Hope Plaza).

ACH Debits and Credits are accepted for payment of tax. For more information or to enroll in this program go to www.phila.gov/revenue and click "Payments & E-File" then select "Pay Taxes". Contact the Electronic Government Unit at 215-686-6582, 6628 or 6459 or e-mail to egovservices@phila.gov.

Termination of School Income Tax filing responsibility - If you no longer have income subject to School Income Tax, use a Change Form to indicate the termination of School Income Tax filing responsibility. If the School Income Tax filing responsibility terminated prior to 2013, mail a Change Form indicating the date of termination but **do not** complete and mail the 2013 School Income Tax return.

Contact information: Send e-mail to revenue@phila.gov or call **215-686-6600**. Additional returns and the Change Form can be downloaded from www.phila.gov/revenue in the "Tax Returns" section and require Adobe Acrobat Reader.

Interest, Penalties and Costs

Effective January 1, 2014 - All taxes (except Real Estate) bear simple interest. The annual rate shall be the Federal Short-Term Rate effective January 1 of such calendar year (26 § USCA 6621 et. seq.) plus five (5) percentage points.

Penalty will be at the rate of 1¼% of the unpaid tax for each month or fraction thereof.

See the Department of Revenue web site for current interest rate.

INSTRUCTIONS FOR PREPARING THE SCHOOL INCOME TAX RETURN

Read these instructions carefully to determine if you have income subject to the tax. Income from Federal Schedule "C" business income and W-2 income should not be reported on the School Income Tax return.

Any net losses on Lines 1 through 8 of the return should be entered as "0". Losses may not be used to offset other types of income.

Print your numbers legibly and boldly within the spaces provided to ensure efficient and accurate processing of your return. Photocopies of this return are not acceptable. To file this return on-line, go to www.phila.gov/revenue and select on-line services.

Line 1. All dividends are taxable unless they are a return of capital on a life insurance policy, from common stock of a National Bank, or from United States government obligations. **All other dividends are taxable regardless of the source. You cannot reduce this income by reinvested dividends.**

Line 2. Interest income on the Federal or State tax return may be included. Examples of taxable interest include, but are not limited to: interest income from securities, mortgages, private loans, insurance policies, bank notes, repurchase agreements, Fannie and Ginnie Mae obligations, and other sources.

The following are examples of non-taxable interest income:

- A. Direct obligations of the Federal Government
- B. Bonds or debt obligations of Pennsylvania or its political subdivisions
- C. Interest on savings, checking, escrow and money market savings accounts that are deposited in:
 - 1. Private Banks
 - 2. Building and Loan Associations
 - 3. Savings and Loan Associations
 - 4. Credit Unions
 - 5. Savings Banks
 - 6. Bank and Trust Company or Trust Companies

Line 3. The pro rata share of taxable income of shareholders from a "Subchapter S" Corporation with adjustments for pass-through items (i.e., income and deductions items). If this is a net loss, enter "0".

Line 4. The pro rata share of any limited partnership income not otherwise subject to Philadelphia Net Profits Tax is taxable. If this is a net loss, enter "0".

Line 5. Income from estates and trusts is taxable only if it is received by or credited to the beneficiary and is the type of income that would normally be subject to this tax. **For example, if the income from a trust consists of interest and dividends, the amount taxable would be determined as in Lines 1 and 2 above.**

Line 6. Net gains and losses are taxable from the sale of tangible and intangible personal property and real property held for six months or less. **Note: This holding period differs from the 12 months or less period used by the Federal Government to identify short term capital gains.** If this is a net gain, enter the gain on Line 6. If this is a net loss, enter "0".

Line 7. Net rental income received from the ownership of real or personal property is taxable unless the income is subject to Philadelphia Business Income & Receipts and/or Net Profits taxes. If this is a net loss, enter "0". For School Income Tax purposes, report the net rental activity from a property which meets all of the following three criteria:

- 1. It is the principal residence of the owner;
- 2. It is totally residential;
- 3. It consists of 4 rental units or less including the owner occupied unit.

If the activity does not meet these criteria, you must file Business Income & Receipts and/or Net Profits taxes.

Owners of properties with 5 or more units must file Business Income & Receipts and/or Net Profits tax returns even if they reside on the premises.

Line 8. Report the following income: 1) royalty or copyright, 2) an award of punitive damages, 3) the monetary value of any prize or award, 4) income from any annuity under a policy of insurance unless payable from a contract of employment as a part of retirement or pension plan, and 5) net proceeds from gambling (except Pennsylvania Lottery). If this is a net loss, enter "0".

Line 9. Add Lines 1 through 8.

Line 10. You may include all reasonable expenses directly incurred in the production of taxable income if they were paid solely for the production of that income. Examples of allowable expenses are: 1) safe deposit box rentals, 2) margin account interest, and 3) any fee paid in 2012 for the preparation of the School Income Tax return.

Line 11. Subtract Line 10 from Line 9.

Line 12. Gross Tax Due. Multiply Line 11 by 3.9240%.

Line 13. Enter here any credits from prior years and/or tax previously paid.

Line 14. TAX DUE. If Line 12 is greater than Line 13, enter the tax due on Line 14 and in the "Tax Due" box of the payment coupon.

Line 15A. If Line 13 is greater than Line 12, enter the amount of tax overpaid to be **REFUNDED**.

OR

Line 15B. If Line 13 is greater than Line 12, enter the amount of tax overpaid to be **APPLIED** to the 2014 School Income Tax.