

Section 508. Credit for Employment of Returning Veterans of the Armed Forces.¹¹⁹

A. Definitions. In this Section, the following definitions shall apply:

1. "Code." The Philadelphia Code.
2. "Department." Department of Revenue
3. "Qualifying Employee." A Veteran who:
 - a. Is employed by a business in a position where he or she earns wages that are subject to the tax under Chapter 19-1500 of the Code and the Department's Income Tax Regulations – for purposes of this Section, the majority of the wages earned by a nonresident of Philadelphia must be subject to tax under Chapter 19-1500 and the Department's Income Tax Regulations;
 - b. Receives compensation that is either (i) equivalent to those wages and benefits, including sick leave, holiday and vacation absences, and tuition benefits, afforded regular employees in comparable positions as part of the Employer's regular payroll process; or, if a comparable position does not exist, (ii) at an average hourly rate, excluding benefits, of at least 150% of the federal minimum wage, and the employment package includes the same benefits as are provided to other full-time employees; and
 - c. Is hired between July 1, 2012, and June 30, 2014, inclusive.
 - d. Examples. "Veteran" is as defined under subsection 508(A)(7) and under §19- 2604(13)(a) of the Code. Assumptions – The Veteran receives compensation in accordance with subsection 508(A)(3)(b) and is hired between the dates specified in subsection 508(A)(3)(c).
 - i. A business has a location within and outside Philadelphia. A Veteran, a resident of Philadelphia, is hired to work 100% at the location outside Philadelphia. As a resident of Philadelphia, the wages earned by the Veteran would be subject to the tax under Chapter 19-1500 of the Code and the Department's Income Tax Regulations, regardless of where he or she works – meets the criteria specified in subsection 508(A)(3)(a). The Veteran would be a Qualifying Employee. (The Veteran would no longer be a Qualifying Employee if he or she became a nonresident.)
 - ii. A business has a location within and outside Philadelphia. A Veteran, a nonresident of Philadelphia, is hired to work at the location within Philadelphia and works 100% within Philadelphia. As a nonresident of Philadelphia working entirely within Philadelphia, he or she earns wages that are subject to the tax under Chapter 19-1500 of the Code and the

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Department's Income Tax Regulations – meets the criteria specified in subsection 508(A)(3)(a). The Veteran would be a Qualifying Employee.

iii. A business has a location within and outside Philadelphia. A Veteran, a nonresident of Philadelphia, is hired to work at the location within Philadelphia but occasionally performs work or renders services outside Philadelphia. As a nonresident of Philadelphia working within and outside Philadelphia, he or she earns wages that are partially subject to the tax under Chapter 19-1500 of the Code and the Department's Income Tax Regulations. The Veteran would meet the criteria specified in subsection 508(A)(3)(a) and be a Qualifying Employee if he or she works at least 51% of more of the time within Philadelphia.

iv. A business does not have a location within Philadelphia but does business within and outside Philadelphia. A Veteran, a nonresident of Philadelphia, is hired who works 100% within Philadelphia. As a nonresident working entirely in Philadelphia, he or she earns wages that are subject to the tax under Chapter 19- 1500 of the Code and the Department's Income Tax Regulations – meets the criteria specified in subsection 508(A)(3)(a). The Veteran would be a Qualifying Employee. (The Veteran would no longer be a Qualifying Employee if he or she began to work within and outside Philadelphia and worked less than 51% of the time within Philadelphia.)

v. A business does not have a location within Philadelphia but does business within and outside Philadelphia. A Veteran, a resident of Philadelphia, is hired and works 100% outside Philadelphia. As a resident of Philadelphia, the wages earned by the Veteran would be subject to the tax under Chapter 19-1500 of the Code and the Department's Income Tax Regulations, regardless of where he or she works – meets the criteria specified in subsection 508(A)(3)(a). The Veteran would be a Qualifying Employee. (The Veteran would no longer be a Qualifying Employee if he or she became a nonresident and worked less than 51% of the time within Philadelphia.)

4. "Qualifying Full-Time Employee." A Qualifying Employee who is employed by a business for at least thirty-seven and one-half hours per week.

5. "Qualifying Part-Time Employee." A Qualifying Employee who is employed by a business for at least twenty hours per week, but fewer than thirty-seven and one-half hours per week.

6. "Tax Year". As defined in Section 101 of these regulations.

7. "Veteran." A person who has received an honorable discharge from any branch of the United States Armed Forces; who has served a minimum of six months in active full-time duty within ten years prior to their hiring; and who has met the

qualifications under the Vow to Hire Heroes Act of 2011 as part of the federal Work Opportunity Tax Credit (WOTC).

B. Application. In order to receive a credit under §19-2604(13) of the Code, a business must file an application in the form and manner prescribed by the Department that includes:

1. The location of employment and proof that the individual to be hired is a Veteran as defined under §19-2604(13)(a) of the Code and under subsection 508(A). Such proof, for each individual, shall include:

a. DD Form 214 (or equivalent) issued by the U.S. Department of Defense, discharge papers, etc., or documentation for service-connected disability (i.e., documents issued by the Veterans Administration that are issued on the agency's letterhead, or have an agency stamp, and include a signature and contact information from the individual at the agency who verified the disability information); and

b. Copy of the federal form filed with the applicable State Workforce Agency (SWA) to pre-screen and to make a request to certify an individual as a member of a targeted group for purposes of qualifying for the federal Work Opportunity Tax Credit (WOTC); and

c. Documentation that the individual is a "Qualified Veteran" as defined in Section 51(d)(3) of the Internal Revenue Code and has met the qualifications under the Vow to Hire Heroes Act of 2011 as part of the federal WOTC i.e., certification issued by the applicable SWA – if such documentation (certification) is available at the time the business submits its application to the Department. Otherwise, such documentation must be submitted by the business at the time of requesting the tax credit.

2. The total number of Veterans – as defined under subsection 508(A) – hired or expected to be hired between July 1, 2012 and June 30, 2014, inclusive, and that may meet the definition a Qualifying Employee as defined in subsection 508(A).

3. Such other information as the Department may require.

C. Calculation of Tax Credits.

1. A business shall receive a tax credit for each Qualifying Employee who has been employed by the business for more than six months.

2. The tax credit provided for in subsection 508(C)(1) shall be in the amount of \$2,000 multiplied by the percentage of the tax year that the Qualifying Full-time Employee was employed by the business; or \$1,000 multiplied by the percentage of the tax year that the Qualifying Part-time Employee was employed by the business; subject to the limits in subsection 508(C)(3). The percentage of a tax year shall be calculated by dividing the total number of full calendar weeks that

the Qualifying Employee was employed by the business during the tax year by fifty-two (52). ("Tax Year" is as defined under Section 101 of these regulations.)

3. Conditions.

a. The tax credit provided for in subsection 508(C)(1) is available for a total of twenty- four months of employment of a Qualifying Full-time Employee or Qualifying Part- time Employee. The twenty-four (24) month period begins on the initial date of hire. In no instance may the twenty-four (24) months of employment occur over a period exceeding four (4) years from the initial date of hire.

b. The maximum amount of tax credits a business may receive for any one Qualifying Full-time Employee under subsection 508(C)(1) over all tax years is \$4,000. The maximum amount of tax credits a business may receive for any one Qualifying Part- time Employee under subsection 508(C)(1) over all tax years is \$2,000.

4. Tax credits shall be taken against total business income and receipts tax liability. Any unused credit may be carried forward for three years from the date of hire of the Qualifying Employee.

5. A business receiving tax credits under § 19-2604(7) of the Code and Section 502 of these regulations (Credit for New Job Creation) or under § 19-2604(9) of the Code and Section 504 of these regulations (Philadelphia Re-Entry Employment Program for Ex-offenders ("PREP") Tax Credit) for a given tax year shall not be eligible to receive tax credits under §19-2604(13) of the Code and under this Section 508 for that same tax year for the same employee.

6. Examples. The following are examples of the calculation of tax credits and determining whether a business shall receive a tax credit.

a. A Qualifying Employee is hired August 1, 2012. The employee is temporarily laid- off (terminated) October 31, 2012 and then rehired July 1, 2013. The employee is permanently terminated September 30, 2013. The business would not be eligible to receive a tax credit – the Qualifying Employee has not been employed by the business for more than six months. No tax credit would be calculated.

b. A Qualifying Employee employed July 1, 2012 – September 30, 2012, inclusive, is rehired to work December 14, 2012 – April 15, 2013. The business is eligible to receive a tax credit on or after 3/15/13 – after the Qualifying Employee has been employed for more than six (6) months. The tax credit, assuming the following facts, would be calculated as follows:

i. The Qualifying Employee is employed full-time.

$2012 (7/1/12 - 9/30/12; 12/14/12 - 12/31/12) = \$2,000 \times 15/52 = \$2,000 \times$

$$29\% = \$580;$$

$$2013 (1/1/13 - 4/15/13) = \$2,000 \times 15/52 = \$2,000 \times 29\% = \$580;$$

The tax credit may be taken against the business's Business Income and Receipts Tax (BIRT) liability for tax returns due on or after 3/15/13. The \$580 tax credit calculated for 2012 may be claimed on the 2012 BIRT Return due 4/15/13 – a tax return due after the Qualifying Employee has been employed for more than six months. The business would be eligible for an additional credit for 2013 equal to \$580. The tax credit available at the end of tax year 2013 would be \$1,160 (580 + 580), if the business did not claim the \$580 against the BIRT liability for tax year 2012. The total tax credit over all tax years would be \$1,160.

ii. The Qualifying Employee is employed part-time.

$$2012 (7/1/12 - 9/30/12; 12/15/12 - 12/31/12) = \$1,000 \times 15/52 = \$1,000 \times 29\% = \$290;$$

$$2013 (1/1/13 - 4/15/13) = \$1,000 \times 15/52 = \$1,000 \times 29\% = \$290;$$

The tax credit may be taken against the business's BIRT liability for tax returns due on or after 3/15/13. The \$290 tax credit calculated for 2012 may be claimed on the 2012 BIRT Return due 4/15/13 – a tax return due after the Qualifying Employee has been employed for more than six months. The tax credit available at the end of tax year 2013 would be \$580 (290 + 290), if the business did not claim the \$290 against the BIRT liability for tax year 2012. The total tax credit over all tax years would be \$580.

c. A Qualifying Employee is hired by a business June 30, 2014 and is employed through December 31, 2017. The business is eligible for a tax credit on or after 12/31/14 – after the Qualifying Employee has been employed for more than six (6) months. The tax credit, assuming the following facts, would be calculated as follows:

i. The Qualifying Employee is employed full-time.

$$2014 (6/30/14 - 12/31/14) = \$2,000 \times 26/52 = \$2,000 \times 50\% = \$1,000$$

$$2015 (1/1/15 - 12/31/15) = \$2,000 \times 52/52 = \$2,000 \times 100\% = \$2,000$$

$$2016 (1/1/16 - 6/30/16) = \$2,000 \times 26/52 = \$2,000 \times 50\% = \$1,000$$

2016 (7/1/16 - 12/31/16) = \$0; 1/1/17 - 12/31/17 = \$0; the business would not receive a tax credit for these months. The tax credit provided for in subsection 508(C)(1) is available for a total of twenty-four (24) months of employment. The employee's twenty-four (24) months of employment

ended 6/30/16.

The credit may be taken against Business Income and Receipts Tax (BIRT) liability for tax returns due on or after 12/31/14. The \$1,000 tax credit calculated for 2014 may be claimed on the 2014 BIRT Return due 4/15/15 – a tax return due after the Qualifying Employee has been employed for more than six months. The tax credit available at the end of tax year 2015 would be \$3,000 (1,000 + 2,000), if the business did not claim the \$1,000 against the BIRT liability for tax year 2012. Assuming the business did not claim the tax credits calculated for 2014 and 2015, the tax credit available at 12/31/16 would be \$4,000 (1,000 + 2,000 + 1,000). The total tax credit over all tax years would be \$4,000.

ii. The Qualifying Employee is employed part-time.

$$2014 (6/30/14 - 12/31/14) = \$1,000 \times 26/52 = \$1,000 \times 50\% = \$500$$

$$2015 (1/1/15 - 12/31/15) = \$1,000 \times 52/52 = \$1,000 \times 100\% = \$1,000$$

$$2016 (1/1/16 - 6/30/16) = \$1,000 \times 26/52 = \$1,000 \times 50\% = \$500$$

2016 (7/1/16 – 12/31/16) = \$0; 2017 (1/1/17 – 12/31/17) = \$0; the business would not receive a tax credit for these months. The tax credit provided for in subsection 508(C)(1) is available for a total of twenty-four (24) months of employment. The employee's twenty-four (24) months of employment ended 6/30/16.

The credit may be taken against Business Income and Receipts Tax (BIRT) liability for tax returns due after 12/31/14. The \$500 tax credit calculated for 2014 may be claimed on the 2014 BIRT Return due 4/15/15 – a tax return due after the Qualifying Employee has been employed for more than six months. The tax credit available at the end of tax year 2015 would be \$1,500 (500 + 1,000), if the business did not claim the \$500 against the BIRT liability for tax year 2014. Assuming the business did not claim the tax credits calculated for 2014 and 2015, the tax credit available at 12/31/16 would be \$2,000 (500 + 1,000 + 500). The total tax credit over all tax years would be \$2,000.

d. A Qualifying Employee is hired by a business July 1, 2012. The employee works July 1, 2012 to November 30, 2013, inclusive; is rehired January 1, 2014 and then terminated July 31, 2015. The business is eligible to receive a tax credit on or after 1/1/13 – after the Qualifying Employee has been employed for more than six (6) months. The tax credit, assuming the following facts, would be calculated as follows:

i. The Qualifying Employee is employed full-time.

$$2012 (7/1 - 12/31/12) = \$2,000 \times 26/52 = \$2,000 \times 50\% = \$1,000;$$

2013 (1/1 – 11/30/13) = $\$2,000 \times 48/52 = \$2,000 \times 92\% = \$1,840$;

2014 (1/1 – 7/31/14) = $\$2,000 \times 30/52 = \$2,000 \times 58\% = \$1,160$;

2014 (8/1 – 12/31/14) = \$0; 2015 (1/1 – 7/31/15) = \$0; the business would not receive a tax credit for these months. The tax credit provided for in subsection 508(C)(1) is available for a total of twenty-four (24) months of employment. The employee's total twenty-four (24) months of employment ended 7/31/14. The credit may be taken against Business Income and Receipts Tax (BIRT) liability for tax returns due on or after 1/1/13. The business would be eligible to take the \$1,000 calculated for 2012 on the 2012 BIRT Return due 4/15/13; the Qualifying Employee was employed for more than six months on 1/1/13, prior to the due date of this return. The total tax credit over all tax years would be \$4,000.

ii. The Qualifying Employee is employed part-time.

2012 (7/1 – 12/31/12) = $\$1,000 \times 26/52 = \$1,000 \times 50\% = \$500$

2013 (1/1 – 11/30/13) = $\$1,000 \times 48/52 = \$1,000 \times 92\% = \$920$

2014 (1/1 – 7/31/14) = $\$1,000 \times 30/52 = \$1,000 \times 58\% = \$580$

2014 (8/1 – 12/31/14) = \$0; 2015 (1/1 – 7/31/15) = \$0; the business would not receive a tax credit. The tax credit provided for in subsection 508(C)(1) is available for a total of twenty-four (24) months of employment. The employee's twenty-four (24) months of employment ended 7/31/14.

The credit may be taken against BIRT liability for tax returns due on or after 1/1/13. The business would be eligible to take the \$500 calculated for 2012 on the 2012 BIRT Return due 4/15/13; the Qualifying Employee was employed for more than six months on 1/1/13, prior to the due date of this return. The total tax credit over all tax years would be \$2,000.

e. A Qualifying Employee is hired by a business July 1, 2012. The employee works July 1, 2012 to October 31, 2012, inclusive; is rehired September 1, 2013 and then terminated October 31, 2015. The business is eligible to receive a tax credit on or after 11/1/13 – after the Qualifying Employee has been employed for more than six (6) months. The tax credit, assuming the following facts, would be calculated as follows:

i. The Qualifying Employee is employed full-time.

2012 (7/1 – 10/31/12) = $\$2,000 \times 17/52 = \$2,000 \times 33\% = \$660$;

2013 (9/1 – 12/31/13) = $\$2,000 \times 17/52 = \$2,000 \times 33\% = \$660$;

2014 (1/1 – 12/31/14) = \$2,000 x 52/52 = \$2,000 x 100% = \$2,000;

2015 (1/1 – 4/30/15) = \$2,000 x 17/52 = \$2,000 x 33% = \$660;

2015 (5/1 – 10/31/15) = \$0; the business would not receive a tax credit for these months. The tax credit provided for in subsection 508(C)(1) is available for a total of twenty-four (24) months of employment. The employee's total twenty-four (24) months of employment ended 4/30/15.

The business would not be eligible to take the \$660 calculated for 2012 on the 2012 BIRT Return due 4/15/13; the Qualifying Employee was not employed for more than six months on or before 4/15/13. The business may, however, take the tax credit against Business Income and Receipts Tax (BIRT) liability for tax returns due on or after 11/1/13 (i.e., 2013 BIRT Return due 4/15/14). The business would be eligible to receive a tax credit for tax year 2013 equal to \$1,320 (660 + 660). The tax credit available at 12/31/14 would be \$3,320 (660 + 660 + 2,000), provided the business did not take the \$1,320 tax credit available for tax year 2013. The total tax credit over all tax years would be \$3,980.

ii. The Qualifying Employee is employed part-time.

2012 (7/1 – 10/31/12) = \$1,000 x 17/52 = 1,000 x 33% = \$330;

2013 (9/1 – 12/31/13) = \$1,000 x 17/52 = 1,000 x 33% = \$330;

2014 (1/1 – 12/31/14) = \$1,000 x 52/52 = 1,000 x 100% = \$1,000;

2015 (1/1 – 4/30/15) = \$1,000 x 17/52 = \$1,000 x 33% = \$330;

2015 (5/1 – 10/31/15) = \$0; the business would not receive a tax credit for these months. The tax credit provided for in subsection 508(C)(1) is available for a total of twenty-four (24) months of employment. The employee's twenty-four (24) months of employment ended 4/30/15.

The business would not be eligible to take the \$330 calculated for 2012 on the 2012 BIRT Return due 4/15/13; the Qualifying Employee was not employed for more than six months on or before 4/15/13. The business may, however, take the tax credit against BIRT liability for tax returns due on or after 11/1/13 (i.e., 2013 BIRT Return due 4/15/14). The business would be eligible to receive a tax credit for tax year 2013 equal to \$660 (\$330 + \$330). The tax credit available at 12/31/14 would be \$1,160 (330 + 330 + 1,000), provided the business did not take the \$660 tax credit available for tax year 2013. The total tax credit over all tax years would be \$1,990.

D. Certification of Qualifying Employees; Maximum Number Permitted.

1. The number of certified Qualifying Employees at any one time shall not exceed 500.
2. The certification of a Qualifying Employee shall expire after such employee has been employed as a Qualifying Employee by any employer for a total of twenty-four months, or when the Qualifying Employee is no longer employed by the business, and a Qualifying Employee whose certification has expired shall no longer count against the maximum number of certified Qualifying Employees.
3. A business shall notify the Department within one week after any Qualifying Employee is no longer employed, which notification shall include an explanation as to why the Qualifying Employee's employment terminated.
4. The Department shall not accept requests to certify a Qualifying Employee when the number of certified Qualifying Employees at any one time reaches the maximum number permitted under §19-2603(13)(d) of the Code and under subsection 508(D)(1). The Department shall, however, in the interim, accept an application submitted by a business in accordance with subsection 508(B). Such applicants shall be notified by the Department, at the time the application is received, that the Department has certified the maximum number of Qualifying Employees permitted but shall notify the applicant accordingly when the number of certified Qualifying Employees drops below the maximum number permitted.
5. The certification of a Qualifying Employee, once the number of certified Qualifying Employees has reach the maximum number permitted under 508(D)(1), shall be processed by the Department according to the postmark date of the application required to be submitted under subsection 508(B). At the time the number of certified Qualifying Employees drops below the maximum number permitted, such applicants shall be notified accordingly and may, as instructed by the Department, submit a request for certification in accordance with subsection 508(E)(2).

E. Certification Requirements for Qualifying Employees.

1. A business must have submitted an application to the Department as required by subsection 508(B) and proof that each individual is a Veteran, as defined in subsection 508(A); and
2. For each Veteran a business wishes to have certified as a Qualifying Full-time Employee or Qualifying Part-time Employee, a business shall provide, on a form as prescribed by the Department, the following information:
 - a. Employee's Name;

- b. Social Security Number (SSN);
- c. Date of hire;
- d. Employment status – Full-time (employed for at least 37.5 hours per week) or Part-time (employed for at least 20 hours per week, but fewer than 37.5 hours per week);
- e. Average hourly rate;
- f. Affirmation that the Veteran earns wages and receives compensation as described in subsection 508(A)(3)(a) and 508(A)(3)(b).

1. Upon review of all information and documentation required to be submitted under subsections 508(B), 508(E)(1) and 508(E)(2), the Department shall accordingly certify each individual who qualifies as a Qualifying Full-time Employee or Qualifying Part-time Employee for purposes of the Credit for Employment of Returning Veterans of the Armed Forces – subject to the limitations provided under subsection 508(D).

F. Issuance of Credit for Employment of Returning Veterans of the Armed Forces.

1. After a business has received written certification from the Department for the Qualifying Employee and after the Qualifying Employee has been employed by the business for more than six (6) months, the business may make a request to the Department for the issuance of and to claim the tax credit.

2. A business shall calculate the tax credit for each certified Qualifying Full-time Employee or Qualifying Part-time Employee in accordance with subsection 508(C). On a form prescribed by the Department, the business shall submit the detail of the tax calculations which shall include the following information for each Qualifying Employee:

- a. Employee's name;
- b. Social security number (SSN);
- c. Employment location;
- d. Employment period dates i.e., date of hire, date of termination;
- e. Employment status i.e., Full-time (employed for at least 37.5 hours per week) or Part-time (employed for at least 20 hours per week, but fewer than 37.5 hours per week);
- f. Tax credit amount calculated;
- g. Tax credit amount claimed;

- h. Certification statement signed by authorized representative;
 - i. Such other information the Department may deem appropriate.
- 3. Upon review of the tax credit calculations submitted in accordance with 508(F)(2), a business shall be notified accordingly by the Department.
- 4. To claim the tax credit, a business shall submit the original copy of the Business Income and Receipts Tax Return to the appointed division in the Department and attach a copy of the form prescribed in 508(F)(2) which shall indicate the total amount of tax credit being claimed and the amount of any unused tax credits.
- 5. The tax credit shall be taken against Business Income and Receipts Tax liability for Business Income and Receipts Tax Returns due after the certified Qualifying Full-time Employee or Qualifying Part-time Employee has been employed by the business for more than six (6) months. Any unused credit may be carried forward for three (3) years from the initial date of hire of the Qualifying Employee.
- 6. No business shall receive the tax credit if the business is not in full compliance with all applicable Philadelphia tax laws, ordinances and regulations.
- 7. The Department may request to examine the books and records (i.e., payroll records, employment contracts, employment benefit packages, etc.) used by a business to prepare the documentation required to be submitted under subsections 508(B), 508(E) and 508(F).