



This Week in State Tax (TWIST)

June 23, 2025



Pennsylvania: Philadelphia Council Adopts Budget; Makes Changes to BIRT and Other Taxes

The Philadelphia City Council recently approved its fiscal year 2026 budget, and with it, has passed a series of bills making changes to the city's Business Income and Receipts Tax (BIRT) and its Wages and Net Profits Tax. The BIRT is imposed on both total receipts (based on a millage rate) and net profits (at a percentage rate). The budget bill will gradually reduce both rates, phasing out the receipts portion entirely in 2038 and reducing the net profits rate from 5.81 percent in 2024 to 2.8 percent by 2038. The bill also eliminates an existing exclusion covering the first \$100,000 of taxable receipts received by a taxpayer for tax years after 2024. The budget bills will also annually reduce the tax rate applicable to the Wages and Net Profits Tax, to rates of 2.20 percent (for resident taxpayers), and 3.39 percent (for nonresident taxpayers) by July 1, 2029. The "wages" component of the tax is imposed on wages, salaries and commissions earned by residents of the city and nonresidents on such income when earned in the city. The "net profits" component is applicable to "businesses, professions or activities" conducted by residents of Philadelphia and to those same activities when conducted in the city by nonresidents. Contact [Mark Achord](#) with questions about [Bill No. 25019900](#) or [Bill No. 25019500](#).

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