



# Philadelphia Announces Tax Amnesty Program

## Client Advisories

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The City of Philadelphia has enacted a Tax Amnesty Program that will occur over a 45 day period this spring. It is intended to coincide with the Pennsylvania Tax Amnesty Program which begins April 26, 2010 and runs through June 18, 2010. For information on the Pennsylvania Tax Amnesty, see [Client Advisory from January 27th](#).

Philadelphia's Amnesty Program waives 100% of the penalties and 50% of the interest. It encompasses virtually all taxes due the City and the Philadelphia School District. The only taxes not eligible for the program are sales tax collected by the State of Pennsylvania on behalf of the City and the General Acute Care Assessment paid by certain medical facilities. Debts originally due and payable after June 30, 2009, or before February 1, 1986, the time of the previous amnesty, will not be eligible for this new program. Taxpayers under criminal investigation or named in a criminal complaint related to a tax delinquency also will not be eligible.

The benefits of the amnesty are significant. Philadelphia imposes very high non-payment penalties, 30% for the first year and 15% for each year thereafter. Annual interest rates on underpayments are at 12%. The benefit of paying no penalty and half the interest represents a meaningful reduction in liability.

### **ALTERNATIVES TO AMNESTY**

The City already has in place a voluntary disclosure program for non-filers that can limit the look back period to three years. Persons who can utilize this program may fare better than applying under the new amnesty program which does not limit examination to the most recent three years.

### **UNOFFICIAL PRE-AMNESTY PROGRAM**

One need not wait until the end of April 2010 to utilize the benefits of the program if they come forward now. A pre-amnesty program is in place now.

### **NEED TO DETERMINE TAX LIABILITY**

One practical factor that must be considered in applying for the amnesty program is that it is necessary to have tax returns prepared to calculate the tax and interest due. As this can take time, particularly for non-filers, it is best to begin this process now to assemble the necessary information so that tax returns for prior years can be

prepared. Forty-five (45) days is a very short time period to assemble tax information, have the tax returns prepared, and file for amnesty. It is best to begin that process as early as possible.

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