

**LOCAL**

# **LGBTQ+ therapists feel strain from BIRT tax, worry clients will feel impact next**



by **Lauren Rowello**  
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(Photo: Adobe Stock)

For many LGBTQ+ business owners in Philadelphia, the city’s Business Income & Receipts Tax — commonly known as BIRT — became a bigger burden this year.

Previously, a business owner's first \$100,000 of earnings was exempt from the tax. This meant that those with especially small businesses or lower incomes didn't pay much or anything at all. But that exemption was abruptly eliminated, prompted by a legal challenge over the exemption's constitutionality, in mid-2025.

The change could have an outsized effect on many LGBTQ+ entrepreneurs because queer-owned businesses in Philadelphia are disproportionately concentrated in industries with thin profit margins — including hospitality, nightlife, events, creative pursuits and freelance work, nonprofit-adjacent consulting, and more.

Some of the most vocal professionals struggling with the change are those that provide mental health and wellness services. They're worried about their own financial stability, but they're concerned about their clients too — who they fear will have to endure a shifting mental health landscape as BIRT tax burdens take a tangible toll on providers.

“Our field is not known for being a money-making field. That's not why any of us do this,” said therapist Christopher Wilson, adding that just because profit doesn't drive motivations doesn't mean earnings don't matter.

Wilson has paid the BIRT tax before, but because his income is barely over six figures, the cost was previously negligible. He said this year was a “huge change,” diverting funds he would normally save for months that will see fewer clients. He hoped anything left could be spent on marketing.

“With therapy, there are some good months and some bad months, so there's usually one quarter that I'm using a little bit of savings to catch up,” he said, adding that the industry is used to ebbs and flows. “Now I'm already starting behind because I wasn't able to put all the money that I normally would put aside in Q1 because I had to pay the BIRT tax.”

Many business owners told PGN they weren't given enough time to save for the increase, which takes a little less than \$1.50 per every \$1000 in gross receipts and adds an almost 6% tax to net income. Some voiced concerns about “double-dipping” since both gross and net earnings are taxed. This is on top of the Net Profits Tax, a wage tax that all businesses that are not corporations are subject to. Different rates apply to businesses headquartered inside and outside the city, but it collects nearly 4% of business profits generated in Philadelphia.

The rules are confusing to those who are new to the tax. Each tax season, business owners typically pay the next year's BIRT tax in advance. This means that some business owners had to pay the 2025 BIRT tax and make 2026 BIRT tax payments throughout this year while saving to pay their full 2027 BIRT tax during the next tax season. That's three years of BIRT tax burden compressed into about a year and a half of notice and preparation.

It's a lot of money — and a lot of math. Some are worried about penalties should they do anything wrong.

Philadelphia's Department of Revenue issued a [clarification](#) last year to explain that businesses that weren't required to pay BIRT tax in 2022, 2023 or 2024 may defer BIRT taxes for 2026 to next tax season — but those who did pay BIRT in those years (even if it was minimal) must make quarterly payments based on projections for this year. New businesses and those that are deferring will be able to pay quarterly next year to try to minimize cash flow problems.

Wilson just moved his practice (which is structured as an LLC) from a suburb to Philadelphia in 2022 — and had he expected this shift in the BIRT tax, he said he might have made a different choice. Coupled with the rising cost of renting space for his practice, staying in the city might be too excessively costly, he explained.

“Do I want the ability to access new clients by being in the city or to be able to save more money by being outside the city?” he asked, underlining that both operating costs and taxation are high. “Is the access worth the trade-off of the expense?”

Businesses located outside of Philadelphia that do business within the city will not be hit with the BIRT tax unless they have grossed \$100,000 or more on work pursued within the city.

Those slow months Wilson mentioned tend to inch along even slower than they used to for many of Philly's LGBTQ+ therapists, as the community they serve is affected by increases and costs of living and a difficult economy. Some therapists noted that their clients who used to come weekly have moved to biweekly or even less frequent visits, for example — not because they're doing well enough to manage their mental health more independently, but because they can't afford the care.

“There are a lot of misconceptions about the business side of therapy,” said Danya Kats, who is an early-career practitioner. “I think the people who make [tax] decisions do not understand this.”

On the surface, it might look like she runs her own business because she's an independent contractor — but she laughed at the idea that her work should be considered a business.

Kats underlined that most mental health providers are essentially gig workers with no or few employee benefits, including insurance. Kats recently got into a bike accident, which required surgery — but without any paid time off, she lost income as she recovered.

Therapists only receive a portion of the fees they collect from clients and/or insurance providers. They also bill for the hours they spend directly with clients, which tends to be about 20 hours per week. But they're

working a full 40+ hours when calculating time spent on notes and documentation, coordination between other care providers, insurance submissions and advocacy, and other administrative tasks.

Kats said she lives just one paycheck ahead of paycheck-to-paycheck. Despite earning well under six figures, she puts aside 25% of her income for taxes and isn't able to save for hobbies or retirement and has a very limited emergency fund. This makes it difficult to plan for the long and short-term future — including her goal to eventually start her own practice.

“I just don't think people realize that therapists make shit money,” she emphasized, adding that additional tax burdens lead to low morale and burnout in an industry that already faces those challenges.

Many spoke about the worries for clients in the context of pressures outside their own practices. They underlined, for instance, that the Council for Relationships just closed after more than 90 years of providing free and low-cost services throughout the Philadelphia area. Some of the organization's clients who paid especially reduced rates are [forgoing therapy in lieu of finding new providers](#) who were out of reach for low-income clients without considering possible upcoming rate increases.

Kats noted that some insurance providers are more challenging to work with, and it's often not financially sustainable to be in-network. It's already tough for many people in need of mental health care to find in-network, queer-competent providers, but she anticipates that there will now be even fewer.

Justin Mendoza, who runs a sole proprietor LLC as a licensed clinical social worker, does not accept insurance and charges \$175 per session for private pay clients. They also participate in a sliding scale model to offer services at a reasonable and more affordable rate between \$40 and \$70 per session.

They worry their sliding scale offerings will no longer be financially sustainable but don't like the idea of being less accessible to a community that is in strong need of mental health support right now.

Many people see Mendoza's fees and believe they're a higher earner, they noted — but daily overhead, liability insurance, continuing education and licensing requirements, marketing, administrative tasks, and health insurance must all be covered by that rate. They noted that many middle-class lifestyle standards aren't currently attainable, as they cannot appropriately save for retirement, a vacation or business expansion.

There isn't any way to cut back on operating expenses, so Mendoza said the only way to adapt is to try growing. They recently developed a business growth plan that will add more health coaching and group services to diversify offerings.

“That’s not even expansion,” they underlined. “That’s just how I’m making ends meet.”

Mendoza noted that the city previously recognized the need for the exemption and should come up with another way to offset the burden of the tax increase for especially small business owners and sole proprietors. Councilmember Michael Driscoll has [proposed legislation](#) that would restore the exemption for sole proprietorships and single member LLCs. The bill is currently in committee, and other solutions do not seem to be coming from City Hall.

Representatives for Mayor Cherelle Parker did not immediately respond to request for comment.

“No one wants a stressed-out therapist,” Mendoza said, noting that this financial pressure makes it harder for therapists to show up for their clients.

The therapists who spoke with PGN emphasized that the tax will not just affect business owners. They believe LGBTQ+ people seeking queer-competent mental health support could be faced with navigating a changing landscape as fees increase, insurance coverage dwindles, and practitioners seek other work as they succumb to financial hardships.

Mendoza noted that some clients will turn to online options. Venture capital groups have launched platforms that seem to expand access to jobs in the industry and more care for vulnerable clients, they said, but are actually pushing small business owners out and offering services that do not necessarily come with the expertise a client needs.

This includes forgoing the benefits of seeing a therapist for in-person care — including getting out of the house and into the community and implementing structure and accountability — to opt for telehealth affordability and convenience. But professionals on those platforms are often working for less than a livable wage and do not have access to peers or supervisors to support their work and professional development. Clients may be bounced around due to high turnover. Others may forgo the benefits of human-connected care while adding new risks associated with using AI and chatbot-heavy services. This is what’s most affordable but may not be healthiest for clients, Mendoza underlined.

“Our community, LGBTQ+ folks, is under assault — legally, socially. Nationally, for youth, it feels like a crisis,” Mendoza said. “And we need mental health support, especially in a crisis.”

“Reducing the ability for small businesses that serve these communities that are under assault to thrive will reduce access to mental health services, and that’s a tough pill to swallow,” they continued. “This is when it’s

needed — and especially in Philadelphia, we should be making support for these marginalized, discriminated populations more accessible.”

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