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## The Philadelphia Tax Reform Commission releases final tax report and details for reducing and restructuring city taxes

PHILADELPHIA, PA (November 18, 2003)— Delivering on their charge to develop a plan for reducing Philadelphia taxes to improve the City's tax structure and competitiveness with other jurisdictions, the Philadelphia Tax Reform Commission (TRC) today presented their final plan to elected, business and community leaders.

"The core of our recommendations is to move relentlessly forward in revising our tax system and reducing particular taxes that have made us uncompetitive as a city," said Edward Schwartz, chair of the TRC. "We believe these reductions and reforms undertaken over time will begin to make us more competitive and will begin to help the City redeem and reclaim the population, perhaps, that we have lost."

The final report presented to the public today provided greater details about their recommendations and spotlighted the rationale behind the conclusions of the report. The Commission voted 14-1, last month, to approve a tax recommendation package that relied on an incremental approach to tax reform. Some these recommendations include:

- Adopting a single-sales factor apportionment tax formula quickly to make it more attractive for businesses to stay in the city and gradually eliminating the business privilege tax.
- Phasing in land-value taxation so that, at the end of 10 years, 50 percent of all real estate tax revenues will be generated from a tax on the value of land and 50 percent from a tax on the value of structures.
- Continuing a program of significant cuts in wage, earnings, net profits, and school income taxes paid by residents and non-residents. These cuts would be phased in incrementally through fiscal year 2014 to reach a wage tax rate of 3.25 percent for both residents and non-residents. A deeper reduction of 3 percent for residents and 2.5 percent for non-residents is proposed if Governor Ed Rendell's tax plan becomes law.

- Adopting a budget-based real estate tax system that would obligate the Mayor and City Council to set real estate tax rates each year after reviewing assessment estimates.
- Creating a position of a Taxpayers' Advocate to work with citizens on assessment appeals, improve the public's understanding of the process, and review actions of the Board of Revision of Taxes.
- Separating the assessment and the appeals functions to improve fairness and accountability with the Board of Revision of Taxes.
- Expanding efforts by the City to promote income tax relief for low-income Philadelphians by participation in federal and state programs designed to reduce the tax burden on low-income households. The City should invest at least \$1 million in the Campaign for Working Families program, administered by the Greater Philadelphia Urban Affairs Coalition, and similar outreach to expand participation in poverty exemption programs.

The proposed tax reform package was given to the Mayor and City Council members or their representatives after the presentation for further action.

"Our goal with this plan is to continue to move the City forward, so as we release this plan to our leaders for their consideration, we will also be advocating for its implementation to restore our competitive edge," said Commissioner William R. Miller IV, communications chair. "We can't afford to have this report sit on a shelf."

The 15-member commission was created last November when the electorate voted 80 percent to support a ballot measure that created a Tax Reform Commission to study ways to reduce and simplify taxes to make the City more competitive.

"We believe the recommendations we have made are fiscally and socially responsible," said Schwartz. "An incremental approach permits the city administration to make adjustments on a year-to-year basis if there is an economic downturn."

While the Mayor and City Council will ultimately be responsible for moving the recommendations forward, the commissioners reaffirmed their commitment to see their work become a reality for city taxpayers.

The complete package of tax recommendations may be viewed on the Tax Reform Commission's website: [www.philadelphiataxreform.org](http://www.philadelphiataxreform.org).

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