

1401 JFK Blvd, Room 1440
Municipal Services Building
Philadelphia, PA 19102
Tel: (215) 686-2140
Fax: (215) 686-2123

Edward A. Schwartz
Chairman

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Contact: Robin Leary
(215) 686-2142
(215) 275-1297 cell

The Philadelphia Tax Reform Commission's Forward Thinking Leads in its Hiring of Econsult Corporation

PHILADELPHIA, PA (May 21, 2003)– The Philadelphia Tax Reform Commission, in keeping with its mandate to develop and propose recommendations for the lowering of Philadelphia's tax burdens, has hired Econsult Corporation. Econsult is a nationally recognized consulting firm.

Headed by Dr. Richard Voith, who joined the firm after 14 years as an economist with the Federal Reserve Bank of Philadelphia, Econsult will analyze the city's tax revenues and build an economic model for the City's beleaguered tax system.

"I am excited about the prospect of working for the Commission," Dr. Voith responded, regarding Econsult's contract with the TRC.

Econsult's analysis will address the best mix of taxes for the City and the possible consequences of lowering tax rates for the city government and Philadelphia's private sector. These two issues will focus primarily on Philadelphia's wage taxes, the business privilege tax, and the property tax, which are the City's major sources of tax revenues.

Econsult is no stranger to analyzing Philadelphia's ever-changing economy and tax structure. "Our work will build on models developed by Econsult Corporation for the Pennsylvania Economy League," Dr. Voith states. "We plan to extend these models in several ways using new data provided by the tax Commission where appropriate."

Determining the best mix of taxes and the economic impact of various combinations of tax rates on revenue were some of the issues raised by the Commission staff. To provide the answers, Econsult will develop a computer model for optimizing tax choices. The TRC will be able to experiment with this model, inputting various tax revenue goals and economic impact objectives.

Econsult will also be assessing the effects of Governor Rendell's plan to reduce Philadelphia's wage tax. The plan will provide approximately \$170 million to be used for wage tax reduction. In addition, the City is planning certain wage tax reductions contained in its five-year plan. The Commission wants to determine how wage tax cuts of such magnitude would affect Philadelphia's revenues and if the City could use any additional revenues to further increase those tax cuts.

Gauging changes in the quality of City services and any increases in crime as a result of the proposed tax changes is also of major importance to Econsult Corporation and the Tax Reform Commission, Econsult's proposal to the TRC cites. Data derived from crime statistics and the quality of education in Philadelphia are a couple of the indicators that may be used by Econsult to determine the relationships between tax rates, economic activity, and the quality of Philadelphia life.

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Being able to separately estimate the impact of resident and non-resident wage tax rates is another task for Econsult's economic model to tackle, the TRC feels. This estimation will be challenging because both rates were the same until the 1980s and they were both usually changed at the same time, making it difficult to discern separate effects. According to Dr. Voith, to accomplish this task, they could either use estimates of resident and non-resident wage tax revenues dating back to 1970 or obtain resident and non-resident employment data over that same period.

Constructing separate models of the effects of wage, business, and property tax rates on the City's residential and commercial property tax base is also an important task for Econsult. An understanding of the cross-base effects of these tax cuts is needed because, depending on the way the cuts are implemented, the commercial property and residential property base may be affected differently.

The impact of tax changes on individual industry groups can be ascertained using accurate data of wage and business privilege tax revenues from each group, Econsult believes. The result of their preliminary analysis of employment data by group indicates the possibility of assessing the impact successfully.

"I believe that the Econsult team can provide extremely valuable insight into the effects of Philadelphia's tax structure on both the City's economy and the City's revenues," Dr. Voith said.

Econsult Corporation is a nationally recognized consulting firm based in Philadelphia, PA. Headed by Dr. Richard Voith, Senior Vice-President and Principal, Econsult's team consists of Project Director John Del Roccili, Ph.D.; Kevin Babyak, Senior Associate; and Paul Neergaard, Senior Associate. You can visit the Econsult Corporation on the Internet at www.econsult.com

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