

NEWS



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Street Administration Supports Responsible Tax Reform

- The City has cut wage and business taxes for nine straight years, totaling \$671 million for residents and non-residents and \$259 million for businesses.
- An additional \$374.6 million in tax cuts is included in the proposed Five-Year Plan. **We support responsible tax reform and have included \$65 million in tax reforms recommended by the Tax Commission.**
- The Tax commission did an excellent job in analyzing the complex and burdensome tax structure. However, if we pass the entire package of tax recommendations now before council, it will create an additional \$285 million loss of revenue to the city.
- Such an enormous tax cut would jeopardize essential city services including Police, Fire, Health and Streets.
- In order to pay for the wage and business privilege tax cuts now before council, **in FY09 real estate tax revenues would have to rise 37 percent or find other cuts to compensate for the lost funds.**
- The Tax Reform Commission estimates of the “positive impact” or “supply-side” effect of tax reductions assume significant growth in the real estate tax. **These estimates assume that the average real estate tax bill will be 23.5 percent higher in FY09** than estimated in the city’s Five-Year Plan, due to increased real estate tax valuations.

- In recent years, local governments in New York, Los Angeles, Baltimore, Houston, and Washington, D.C. have raised taxes or suspended tax cuts that they could not afford without resorting to drastic service cuts and layoffs. The City of Pittsburgh was driven to the brink of bankruptcy. **During this same time period, the City of Philadelphia has continued to cut taxes despite three straight years of operating deficits.**
- The Tax Reform Commission made no attempt to estimate the cost of its cuts after FY09, when the cuts become even more severe. *Council is being asked to pass laws without being provided information on the full cost of the laws.*
- The tax cut recommendations now before council depend on “Supply Side” economics. They assume that lower taxes alone will bring more people into the city and create more jobs which will, in turn, increase the city’s tax base. We disagree with that assumption. Lower taxes are only part of what is necessary. The city has to balance the cost of cutting taxes against the need to pay for necessary city services to maintain the quality of life in the city.
- The Tax Reform Commission estimates of the “positive impact” or “supply-side” effect of tax reductions assume that the number of jobs in Philadelphia will increase by 175,165, or 26 percent, by 2017. This would be equivalent to taking all of the jobs from Reading and Berks County, and some of the jobs from Chester County, and moving them to Philadelphia. This would represent the highest employment in Philadelphia since 1972.
- No other state or local government budgets for a “supply side” effect. Wall Street Bond Rating agencies do not recognize “supply side” revenues because these “guestimates” are unreliable.
- If the total package of cuts is passed, the people of Philadelphia must make decisions about what services they want to cut: fewer police officers on the street? Fewer firemen and emergency medical technicians? Fewer sanitation workers? Fewer social workers to protect abused children? Fewer libraries?