

NEWS



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MAYOR'S OFFICE OF COMMUNICATIONS

Room 216 - City Hall
Philadelphia, PA 19107
Phone: 215.686.6210 or 6211
Fax: 215.686.2170
Internet: www.phila.gov

John F. Street, Mayor
Frank Keel
Acting Director of Communications

Frank Keel
Office: (215) 686-6210

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MAYOR STREET TO SIGN WAGE TAX LEGISLATION INTO LAW AT OUTDOOR CEREMONY

PHILADELPHIA – Philadelphia Mayor John F. Street, flanked by City Council President Anna Verna, Philadelphia Chamber of Commerce Chairwoman Judith von Seldeneck, members of City Council and leaders from the business community, today signed into law Council Bill 020092, the so-called “Wage Tax Bill,” in a well-attended outdoor ceremony on the 1700 block of JFK Boulevard, site of a future skyscraper to be developed by Liberty Property Trust.

Council Bill 020092 continues the reductions to the City’s wage tax rate, first begun during the Rendell administration, and also allows for more accelerated cuts in the wage tax, provided that annual wage tax receipts increase by a minimum of 3.5 percent. In addition to the wage tax legislation, Mayor Street also signed into law Council Bill 020030, which reduces the gross receipts tax rate component of the business privilege tax from 2.4 mills to 2.3 mills for FY03.

“Today, I have signed into law two important pieces of legislation that will continue to reduce the tax burdens on Philadelphia’s residents, workforce and business community,” said Mayor Street. “Despite the spirited debate of the past few months, I am pleased to sign both of these bills into law. I acknowledge that the continued incremental cuts to the wage tax are important to our citizens, workers and businesses.”

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“I have always been and continue to be a proponent of tax cuts, but there must be a balance with the crucial need to provide the necessary level of city services that will ensure a high quality of life for all Philadelphians,” the Mayor continued. “I am pleased to stand here today in a spirit of partnership with members of Council, the Chamber of Commerce and leaders from our business community, for there will be difficult decisions to be made in the coming weeks and months in the City’s efforts to trim the \$120 million from the Five Year Plan to maintain a balanced budget. The administration wants the participation of all parties in this important process.”

“We must also be pragmatic in our approach to reducing Philadelphia’s tax structure and understand that, in order to achieve real tax reform that will have a measurable impact on the city’s economy, we must work together to seek greater help from the Commonwealth of Pennsylvania. We are pleased to be a partner in a broad-based coalition that is committed to the effort to reduce the city’s tax burden.”

Council Bill 020092 will reduce the wage tax rate in FY03 (including the PICA tax) for residents from 4.5385% to 4.50% and for non-residents from 3.9462% to 3.9127%. This is the same reduction outlined in the Five Year Plan by Mayor Street. The difference is in the reductions in future years. Starting in FY04, if the wage tax receipts certified for the prior year are at least 3.5% greater than the wage tax receipts certified for the base year, then the reduction amount will equal 0.13%, otherwise, the reduction amount will equal 0.0375%.

The total cost of reduction is \$117,810 million. Even if the trigger is never reached, the rate and revenue reductions will be as follows:

ALL AMOUNTS IN (\$000s)					
Year	FY03	FY04	FY05	FY06	FY07
Rate (Resident)	4.50%	4.4625%	4.4250%	4.3875%	4.3500%
Rate (Non-Resident)	3.9127%	3.8801%	3.8475%	3.8149%	3.7823%
Wage, Earnings and Net Profits anticipated in Plan	\$1,931,497	\$1,974,194	\$2,016,640	\$2,064,274	\$2,115,092
Revised based on Change	\$1,931,497	\$1,963,149	\$1,993,831	\$2,028,949	\$2,066,461
Revenue Loss	\$0	(\$11,045)	(\$22,809)	(\$35,325)	(\$48,631)

Council Bill 020030 describes the reduction in the business privilege tax for FY03 (beginning July 1, 2002) as described in the Five Year Plan. Specifically, the gross receipts rate will drop from 2.4 mills to 2.3 mills. The net income portion remains the same as the current year level (6.5%).

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