

MAYOR'S TASK FORCE ON TAX POLICY & ECONOMIC COMPETITIVENESS

EXECUTIVE SUMMARY

In the spring of 2009, Mayor Nutter convened business, academic, and community leaders and charged them with examining the city's tax structure and real estate market in order to create a better Philadelphia: a place with more opportunities for employment and wealth creation for city residents and a city where new businesses can easily form and existing ones can grow. Without action, Philadelphia can expect continuing job and population losses and an increasingly difficult struggle to raise the funds needed to provide essential government services.

From the many insightful reports over the past decade, the general contours of a solution are well known — lower taxes, a different mix of taxes, and more efficient government. The Task Force has leveraged these previous efforts to develop a set of recommendations and plan for action which will transform and revitalize Philadelphia's economy. Today, the most important recommendation is simply this: set a goal of fundamentally changing what we tax and begin making these transformational changes now.

To position itself for growth once the current recession ends, Philadelphia must commence administrative and management improvements and policy shifts immediately. In some cases, administrative and management improvements must be implemented before major policy shifts can occur.

To add 70,000 jobs (47,000 saved plus a net gain of 23,000) to the city's economy by 2025 and to create immediate opportunities for families to build wealth and entrepreneurs to follow their dreams, the Task Force recommends:

THE IMPORTANT POLICY IDEA — SHIFT FROM MOBILE TO IMMOBILE TAX BASES:

- ❖ Restart Planned Cuts to the Business Privilege Tax in 2012 & More Aggressively Reduce Wage Tax Rates to lower the cost of living and working in Philadelphia
- ❖ Offset a Portion of the Rate Reductions through an Increase in the Real Estate Tax
- ❖ Implement a Homestead Exemption to Protect Homeowners
- ❖ Communicate Philadelphia's more competitive tax policies through an aggressive business attraction program.

THE PREREQUISITES — ADMINISTRATIVE CHANGES:

REMOVE BARRIERS TO PHILADELPHIA AS A BUSINESS LOCATION

- ❖ Adopt Market-Based Sourcing
- ❖ Adopt Single Sales Factor Apportionment

IMPROVE PROPERTY ASSESSMENTS

- ❖ Adopt a System of Fair and Accurate Property Values
- ❖ Use Buffering Mechanisms to Protect and Transition Property Owners
- ❖ Separate the Appeals and Assessment Functions

IMPROVE INTERACTIONS WITH GOVERNMENT

- ❖ Provide Predictable, Streamlined Procedures
- ❖ Make Rules and Regulations in Philadelphia Normal
- ❖ Create a Taxpayer Advocate
- ❖ Make Tax Incentives Accessible and User Friendly

REDUCE CITY SPENDING

- ❖ Invest in Technology to Generate Efficiencies and Enhance Productivity
- ❖ Reduce the Cost of Philadelphia's Fastest Growing Expenses: Health Benefits and Pensions

IMPROVE TAX COLLECTION & COMPLIANCE

- ❖ Upgrade Tax Administration Technology & Human Resources
- ❖ Offer a Tax Amnesty to Fund Tax Administration Improvements
- ❖ Encourage Compliance with Competitive Interest & Penalty Rates

USE PUBLICLY-OWNED & TAX DELINQUENT PROPERTY TO SPUR DEVELOPMENT

- ❖ Upgrade Technology and Data for Philadelphia Property Information
- ❖ Improve the Public Property Acquisition and Disposition Process
- ❖ Consider Strategic Acquisition of Tax Delinquent Properties
- ❖ Target Investments to Produce Greatest Impacts

More information is available at www.phila.gov/taxpolicy.