



GREATER PHILADELPHIA CHAMBER OF COMMERCE

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**Testimony of
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Before the
Pennsylvania House of Representatives
House Finance Committee
Thursday, June 2, 2016
Philadelphia**



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Mr. Chairman and members of the House Finance Committee, thank you for the opportunity to submit testimony on behalf of the Greater Philadelphia Chamber of Commerce (the Chamber). The Chamber represents 4,500 member businesses in 11 counties in Pennsylvania, New Jersey and Delaware.

The Greater Philadelphia Chamber of Commerce has an established track record of promoting business growth throughout the 11-county region and supporting comprehensive tax reform in Philadelphia.

Among our highest public policy priorities in Philadelphia is advocating for wage and business tax reductions that promote economic growth and job creation in the city, and for businesses doing business in Philadelphia as well.

The Chamber strongly supports the actions of several City Councils – and four consecutive mayors - in approving local laws that have reduced wage and business taxes year by year – with a disruption caused by the 2009 recession – since 1992. We also commend the actions of this Legislature and former Gov. Rendell in approving gaming in Pennsylvania, and dedicating an annual portion of gaming revenues to wage tax relief for Philadelphia.

From its high-water mark of 4.96 percent in 1991, the wage tax on city residents has been reduced to its present rate of 3.92 percent. This spring, Mayor Kenney has proposed that over the next five fiscal years, the city will reduce the Business Income and Receipts tax (net income rate) from 6.39 percent to 6.15 percent, including a tax exemption of the first \$100,000 in business receipts.

Over the same five years, Mayor Kenney has proposed further reducing the city wage tax to 3.33 percent for non-residents and 3.73 percent for residents – bringing that tax to its lowest level in 40 years. The Chamber strongly supports these pro-growth reforms, worth \$485 million, and encourages steps that would allow these reductions to be accelerated in the next several years to support continued growth and job creation in Philadelphia and the surrounding region.

City Council and the mayor have the power to set local tax rates, and the Chamber believes a first principle of local tax reform is that any action continuing these pro-growth reforms should first be taken *locally* – by Council and the mayor.

The legislation under consideration, House Bill 1871, seeks to change Pennsylvania's Uniformity Clause to allow Philadelphia to set two different tiers of property tax – one for commercial properties and the other for residential homeowners. In exchange for higher commercial property taxes, the plan calls for corresponding reductions in wage and business taxes – designed to spur growth and job creation citywide.



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In the last five city budgets, local taxes have been increased by \$400 million, largely to support public education. The Chamber has supported a number of these increases, including small increases in the real estate tax, a cigarette tax, and a 1 percent sales tax extension – because the business community prioritizes the importance of a well-run system of quality public education in Philadelphia.

With that context and history in mind, before any attempt is made to increase local commercial property taxes, this committee should consider barring the city from further increases in the city's use and occupancy tax – a levy imposed solely on businesses in Philadelphia, based upon leased or rented office space. The use and occupancy tax has been increased twice in four years – 2012 and 2015 – by the city. On behalf of the large number of businesses that rent office space, the Chamber believes that capping the use and occupancy tax is necessary to protect businesses before any further steps are considered to increase commercial property taxes in Philadelphia.

In addition, before any attempt is made to increase local commercial property taxes as part of the change contemplated in HB 1871, city government should conduct an analysis of the impact of the proposed constitutional change on any other related city tax policies, such as exemptions from the use and occupancy tax or existing KOIZ and KOZ programs.

The Chamber supports the aspirational nature of HB 1871. But the Chamber restates its public policy priorities on local tax reform: 1) Any steps to reduce local taxes should be initiated first by City Council and the mayor; and 2) before any state action considers increasing commercial property taxes in Philadelphia, action should be taken to protect businesses by capping the city's use and occupancy tax.

All advocates and the Chamber agree on one imperative: Philadelphia needs tax reform. It needs lower wage and business taxes. It needs more businesses to locate here, more jobs created here, and more citizens wanting to call Philadelphia home. As it always has, the Chamber stands ready and willing to be engaged in this important work to improve the civic and business climate in Philadelphia.