



Councilmember Allan Domb

Job/Economic Growth Plan

Growing Jobs for the Future of Philadelphia

Background: The City of Philadelphia maintains one of the highest tax burdens among the largest 20 U.S. cities. Among Philadelphia's more than 15 types of taxes that can impact residents and businesses, Philadelphia ranks above New York City, Los Angeles, and San Francisco, while having the lowest employment rate per 1,000 residents among these major cities. More recently, the pandemic has highlighted the difficulty businesses have setting up and staying in the city because of the complicated tax structure and high rates.

Objective: Utilize the current environment to reform Philadelphia's tax structure through a legislative package that would reduce the Wage Tax rate at a faster pace, reduce the Net Income tax rate and eliminate the burden for businesses to pay both the Net Income and Gross Receipts taxes. Now is the time to examine what's working and what's not working. As Philadelphia looks to bring back demand for people and businesses in a post-pandemic world, restructuring and reimagining our tax policies is an essential piece of our successful future.

Purpose of Legislative Package:

- ✓ Make Philadelphia more competitive in the region and across major U.S. cities by attracting people and fostering job growth.
- ✓ Eliminate the burden for businesses to pay two different taxes on receipts – no longer be the only large U.S. city that taxes businesses on gross receipts and net income.
- ✓ Lower tax liabilities to help Philadelphia businesses grow and reinvest in their businesses, especially for small and mid-size businesses that employ local residents.
- ✓ Bring back demand to live and work in the city and start exploring every opportunity to become less dependent on taxing the things that can easily move.
- ✓ Make an investment in our city's tax structure to help grow our local tax base over time – creating a more stable base that funds our programs over the long-term.

How It Works: (Three bills)

1. Wage Tax reduction – reduces Wage Tax rates for residents and non-residents over 20 years, starting in FY2023:
 - Resident rate reduction – 3.87% to 2.9%
 - Non-resident rate reduction – 3.5% to 2.8%
2. Net Income reduction – reduces Net Income portion of Business Income and Receipts Tax over 10 years, starting in FY2022:
 - Reduction – 6.20% to 3.00%
3. Net Income vs. Gross Receipts – simplifies and reduces the tax burden on businesses by allowing businesses to pay the higher of Net Income or Gross Receipts – no longer having to pay both.

Definitions:

Wage Tax = a tax on salaries, wages, commissions, and other compensation owed by all residents and those who work in the city.

Net Income = a tax on business income after expenses are deducted.

Gross Receipts = a tax on business receipts without deducting any expenses.

What's Next:

Call on the City's Administration to conduct an economic impact study to compare growth vs. tax reduction rates over the 20-year period and additionally fund an independent study to explore variations in the analyses.