

City Council Committee of the Whole
May 7, 2021
Tax Bill Testimony: Bill 210323 (BIRT) and Bill 210324 (Wage Tax)
Rob Dubow, Finance Director

Good morning, Council President Clarke and members of City Council. My name is Rob Dubow, Finance Director, and I am here to testify in support of Bills 210323 and 210324. These two tax bills lower the rates of the net income portion of the Business Income and Receipts Tax and the Resident and Non-Resident portions of the Wage and Net Profits Taxes. Joining me are Budget Director Marisa Waxman and Revenue Commissioner Frank Breslin.

The changes in these two bills will combine to reduce the amount of tax due from businesses and workers by \$35 million in FY22, with \$29 million in tax relief for employees and \$6 million in tax relief for businesses. Over the course of the Five-Year Plan, these reductions will total \$343 million. Additionally, the Parking Tax rate will revert to its pre-pandemic level and there are no tax rate increases proposed

Fiscal Year	Value of Tax Cuts		
	Wage, Earnings and Net Profits	BIRT	Total
FY22	\$ 29,390,000	\$ 5,696,000	\$ 35,086,000
FY23	\$ 32,987,000	\$ 11,825,000	\$ 44,812,000
FY24	\$ 36,703,000	\$ 28,197,000	\$ 64,900,000
FY25	\$ 40,801,000	\$ 46,138,000	\$ 86,939,000
FY26	\$ 45,109,000	\$ 65,221,000	\$ 110,330,000
PICA	\$ 1,299,000	\$ -	\$ 1,299,000
Total	\$ 186,289,000	\$ 157,077,000	\$ 343,366,000

These changes to the BIRT, Wage and Net Profits taxes are expected to improve our economy's ability to recover, while lessening our reliance on commuter taxes and continuing our multi-decade effort to strengthen our tax structure by reducing dependence on mobile tax bases. The decision to reduce these taxes at this level balances the need to generate adequate revenue to support City service delivery with the need to improve our competitiveness and support our economy as we emerge from the pandemic-created economic setback. With or without these reductions, the economic recovery will take years – but with these reductions we'll be supporting our enterprises and workers as we navigate towards an inclusive, growing economy.

The decision about which taxes to reduce and what scale considered many factors, including revenue needs, impact on business and job location, and racial equity. The reductions to the Non-Resident Wage Tax roll-back the rate increase in FY21. The Non-Resident Wage Tax has long been identified as a significant barrier to job creation in Philadelphia and the sudden shift to work-from-home in the past year created dramatic revenue losses in this stream, expected to reduce our collections by over \$100 million this year. We anticipate that 15% of the loss in revenues from

this source will be permanent. This erosion in the tax base hastens our need to wean ourselves off this shrinking tax base. The reduction in the net income portion of the BIRT is expected to improve our competitiveness as a business and job location and reduce the burden on our local firms as they recover from the past year.

Thank you for the opportunity to advocate for these bills. I am happy to answer any questions you may have.