COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE ON FINANCE

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, January 28, 2015
10:20 a.m.

PRESENT:
COUNCILWOMAN MARIAN B. TASCO, CHAIR
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN BOBBY HENON
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN DENNIS O'BRIEN
COUNCILMAN DAVID OH
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN MARK SQUILLA

BILL 140081 - An ordinance amending Title 19 of The Philadelphia Code, entitled "Finance, Taxes and Collections," to provide for tax rate reductions of the Wage and Earnings Tax for Philadelphia Residents and the Tax on Net Profits Earned in Businesses, Professions or Other Activities of Philadelphia Residents.

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COUNCILWOMAN TASCO: Good morning. I do believe we have a quorum, and so now we'd like to call the Committee on Finance to order and we'd like to have our Clerk read the bill, please.

THE CLERK: Bill No. 140081, an ordinance amending Title 19 of The Philadelphia Code, entitled "Finance, Taxes and Collections," to provide for tax rate reductions of the Wage and Earnings Tax for Philadelphia Residents and the Tax on Net Profits Earned in Businesses, Professions or Other Activities for Philadelphia Residents.

COUNCILWOMAN TASCO: We now have -- is there anyone on the Committee would like to say anything before we begin?

Let me say that we have a quorum in the presence of Councilman Denny O'Brien, Councilman Greenlee, Councilman Jones, who is the Majority Leader, can always sit in for a

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committee, and Councilman Goode and Councilwoman Tasco.

We'd like now to call Mr. Rob Dubow, Director of Finance for the City of Philadelphia.

(Witness approached witness table.)

COUNCILWOMAN TASCO: Good morning.

MR. DUBOW: Good morning, Councilwoman Tasco and members of the Committee. My name is Rob Dubow. I'm the Finance Director and I'm here to testify regarding Bill No. 140081, which would amend the Wage, Earnings and Net Profit tax for Residents in Philadelphia.

The bill reduces the resident rate of the Wage and Earnings and Net Profits tax from the current rate of 3.92 percent to 3.707 percent by FY19 after the PICA tax of 1.5 percent is included. The bill holds the non-resident portion of the wage tax rate at 3.4915. It would reduce City revenues by approximately

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$115 million over the next four years and there's no plan proposed to recoup that lost revenue or to make the significant budget reductions that would be needed.

COUNCILWOMAN TASCO: Could you please speak into the mic.

MR. DUBOW: Sorry. Yes.

The Administration supports reducing wage tax rates, and since the end of the recession, we've worked with Council to resume this important tax relief. In the most recent Five Year Plan approved by PICA, we included cuts to both the resident and non-resident wage tax with a cost of $115 million over the five years. Despite that significant cost, we believe that reducing both resident and non-resident rates are important to improve our economic competitiveness, reduce the tax burden on families and individuals, and create jobs.

Just as importantly, we've planned for this tax expenditure and can

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undertake these cuts with the expectation that future budgets and Five Year Plans will remain sustainable. We do not believe the same can be said for this bill, and the cuts to the budget or increases in other taxes necessary to pay for it would be significant.

While the Administration is grateful to the sponsor, Councilman Oh, for the important discussion this bill raises regarding the City's tax structure, we can't support it for two significant reasons. First, as already noted, the bill would double the cost of the current wage tax reductions and leave a Five Year Plan shortfall of approximately $115 million in the City's General Fund. Closing that gap would be extremely difficult. As an example, the bill would create a gap in FY16 that would be roughly equivalent to the Free Library's General Fund budget.

The four-year $115 million price tag would likely result in

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substantial service cuts to ensure the City's budget remained balanced.

Secondly, from a tax policy and competitiveness perspective, the Administration believes that we should continue to reduce the non-resident wage tax rates. In 2009, the Task Force on Tax Policy and Economic Competitiveness recommended that the City continue to incrementally reduce both portions of the wage tax and said the non-resident wage tax is particularly discouraging for firm and job location in the City.

For those reasons, we request the Committee hold this bill at this time. I'm happy to answer any questions you may have. And attached to the testimony is an exhibit that compares current wage tax rates, the rates in our Five Year Plan, and the rates under this bill.

Thank you.

COUNCILWOMAN TASCO: Thank you very much.

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Are there any questions on behalf -- Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Good morning, Mr. Dubow.

MR. DUBOW: Good morning.

COUNCILMAN GOODE: Just a few questions for the record. You talked about the cost of wage tax cuts within the current Five Year Plan. Can you tell me the total cost of both business and wage tax cuts within the Five Year Plan?

MR. DUBOW: I think it's 370 million, but we'll confirm that.

COUNCILMAN GOODE: So it's over $300 million in business and wage tax cuts within the Five Year Plan?

MR. DUBOW: Yes.

COUNCILMAN GOODE: Will the Administration propose more tax cuts?

MR. DUBOW: I think we will propose tax cuts in FY20. So we'll propose extending it.

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COUNCILMAN GOODE: And are the tax cuts working?

MR. DUBOW: So -- 360 was the total of the cuts.

So what we've seen from studies is that wage tax increases cost jobs and that reductions will help keep jobs, but I can't give a direct answer to what these cuts have done.

COUNCILMAN GOODE: Let me ask a different question then. I believe from your most recent analysis, has there been a net job gain or a net job loss within Philadelphia?

MR. DUBOW: There's been a net gain.

COUNCILMAN GOODE: So we have stemmed the job loss?

MR. DUBOW: That's correct.

COUNCILMAN GOODE: Thank you.

COUNCILWOMAN TASCO: Thank you.

Any other questions?

(No response.)

COUNCILWOMAN TASCO: Thank you

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very much.

MR. DUBOW: Thank you.

COUNCILWOMAN TASCO: Next we'll call Mr. Lawrence Tabas, Chairman of Pennsylvania Intergovernmental Cooperation, PICA.

(Witness approached witness table.)

MR. TABAS: Good morning, Madam Chair, members of the Committee. My name is Lawrence Tabas. I'm the Chairman of the Pennsylvania Intergovernmental Cooperation Authority. I'm here to testify also about Bill No. 140081.

Start off, of course, by the required disclaimer that the views that I am expressing today are mine alone and do not necessarily reflect the official policy or the position of either PICA or the other members of the PICA Board.

I'd like to start by saying that I think it's clear that we probably all agree with the goal of the bill, that reducing the City's wage tax and the

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business net profits tax is an important factor in the economic well-being of our City's future. I support that goal and a strategy to do it. There are elements in the bill that are attractive and there are some other issues that, of course, need to be considered by Council in their review, and Mr. Dubow outlined some of them in his testimony this morning.

Where I think the disagreement amongst all of us is not that we need to reduce these taxes, but the timing and the schedule of doing it.

The wage tax is a regressive tax. It hits the lower income residents of this City the hardest. It takes a larger percentage of their income, because it is a flat tax. It is penalizing those who can't necessarily escape to the suburbs and relocate, and it also is penalizing those who need the City's critical services by making them pay a disproportionate share.

The tax on the resident income

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in Philadelphia is the largest in the nation. It's larger than New York City's. Forty-seven point six percent of the City's revenue comes annually from these taxes on the business, net profits, and on the wage taxes. Most cities do not even levy a personal income tax on residents or commuters, and those that do, it's mostly about 2 percent. In addition, only Columbus, Ohio depends more on income taxes on residents and net profits from businesses than Philadelphia. And the commuter tax in this bill is not set to be affected by it, and I do not believe that is a practical solution to this issue. I think that the pushback that will come, if the commuter tax is not also addressed in some fashion, could force more people to reevaluate whether or not seeking employment in the City of Philadelphia is in their best interest.

Now, the net profits tax on businesses has been significantly an

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issue in terms of job and growth and business expansion. Now, I know Mr. Dubow said today that they have stemmed some of the loss of jobs. There's been even something of an increase, and I applaud that, but we don't know how much greater that increase would have been if businesses realized that it was more economically competitive to expand in Philadelphia rather than opening up in the suburbs.

Just anecdotally, I can tell you that I'm an attorney. My law firm and other businesses have looked at these suburban and new office parks that are developing. Look at Conshohocken. It has become a major mecca for businesses and offices, where they can attract law firms, financial firms and other businesses and basically give their employees an automatic wage increase because the lack of the tax and the lower commuter cost. There's no parking charges in these suburban areas when you come in and go to work.

So I think we have to realize that if we're going to be competitive, if we're going to want businesses to expand and grow, we have to make it so that they can offer competitive wage packages and have that incentive.

Now, Mr. Dubow correctly pointed out that the proposal on the bill would have an impact of $115 million extra, doubling what the already reduced amount is from some of the reductions. And part of the issue is that he correctly points out how are we going to pay for that. The bill talks about a couple of ways. I will tell you PICA sponsored in December a very well-attended and very -- an excellent presentation with the Revenue Commissioner Tolson, the Deputy Secretary for Taxation from the state, and a representative of Pew Charitable Trusts on revenue collection enhancement, and the City of Philadelphia has several

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hundred millions of dollars in uncollected revenue, and increasing and enhancing the collection of those revenues will go a long way to closing the difference between this bill's proposal and what Mr. Dubow identified as an additional $115 million. The City, if they focus and increase their efforts on collections -- and I have to applaud Revenue Commissioner Tolson. She indicated many very positive strategies that they are looking at -- will help to close this important gap.

We need to create a stable financial environment. I know Mr. Dubow pointed out that the $115 million differential here would be the amount to fund the Free Library of Philadelphia. But just as equally, it's important to fund snowplow removal from the big blizzard we had yesterday, the three feet that were dumped on us. It's easier to clean it up if we have that extra money.

COUNCILMAN JONES: I missed it.

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MR. TABAS: Yes, I missed it too. I guess I slept through it.

This is an important conversation that we're having today. Again, I think it's an issue that we all agree on the goal. It's the political will to make Philadelphia a more competitive city, and I believe that Council working together will be able to do that, and I do applaud at least his efforts.

And if I can have your indulgence for one second. Madam Chair, I want to also say I read that you're retiring. I first met you when you were a City Commissioner. I always thought you were a very fair, diligent, hard-working public servant, and thank you for your service to the City of Philadelphia. Sorry about your retirement, but I wish I was retiring as well.

COUNCILWOMAN TASCO: Thank you so much for the comments. I appreciate

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it. I didn't realize we went back that far.

MR. TABAS: I had a lot more hair back then. Not as much as Councilman O'Brien, but close.

COUNCILWOMAN TASCO: Thank you so very much. Thank you for coming to testify and thank you for your thoughtful testimony.

MR. TABAS: Thank you, Madam Chair.

COUNCILWOMAN TASCO: I'll be here for a while.

There's a question here from Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Good morning, Mr. Tabas. There will be testimony today on one of my favorite ideas, the idea of increasing commercial and industrial property taxes in order to lower wage and/or business taxes. What is PICA's position on that idea in terms of focusing on paying for

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wage or business tax cuts with revenue from something that's more predictable in terms of commercial and industrial real estate?

MR. TABAS: PICA is considering that proposal. We've directed our staff to review it and to meet with Mr. Levy and others who are proponents. I find there are many, personally, many attractive elements in it, and I think it's absolutely part of an overall plan to shift, again, what is a regressive flat tax on the lower income in a way that will help the City grow and expand.

COUNCILMAN GOODE: Thank you.

MR. TABAS: Thank you.

COUNCILMAN GOODE: Thank you, Madam Chair.

COUNCILWOMAN TASCO: Councilman Henon, do you have a question?

COUNCILMAN HENON: No.

COUNCILWOMAN TASCO: I'm sorry.

He's here. He has joined the Committee. Thank you. And Councilwoman

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Blackwell.

Any other questions or comments?

(No response.)

COUNCILWOMAN TASCO: Thank you so much.

MR. TABAS: Thank you.

COUNCILWOMAN TASCO: And Councilman Kenyatta Johnson is here. Thank you.

Next we'll have Mr. Robert Inman.

(Witness approached witness table.)

COUNCILWOMAN TASCO: Good morning.

PROFESSOR INMAN: Good morning.

COUNCILWOMAN TASCO: Would you state your name for the record, please.

PROFESSOR INMAN: Sure. Robert Inman and I'm a Professor at the Wharton School in the area of public finance.

COUNCILWOMAN TASCO: Thank you. Would you please proceed.

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PROFESSOR INMAN: Thank you. I'm hoping you have a copy of my testimony. There's a group of charts that I'd like to walk through. That's the problem of asking a professor to come to testify, is he comes with charts.

COUNCILWOMAN TASCO: Yes.

PROFESSOR INMAN: My wife has a rule that I can't bring charts to different parties, so here we are.

I would like to make really two points. The first point is that as is clear on the very first page, asking the question of whether taxes are going to matter for the economic future of cities, and I think the answer to that from a lot of work that I've been doing over the years is clearly yes, and the issue is how indeed do those effects play out.

The first page lists the reason why cities are strong, and Philadelphia is in many ways a very special and productive city, both in the area that we economists will call industry or same

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industry agglomeration or collecting, and that would be healthcare, eds and meds. We have very, very strong eds and meds sectors. There's something called cross-industry agglomeration, and that would be what we have at the Science Center, the medical sector and research, engineering, industries that talk to each other and, lastly, what we can think of as the Avenue of the Arts, the consumption advantages of having consumption activities - music, theatre, restaurants - all in single locations.

What this means is, there's a lot of productive advantages by holding industries and firms in single locations, and that's what Philadelphia has to offer. But the issue is that Philadelphia is not alone and unique in all of these attributes. In particular, we're in competition with many other cities and indeed with our suburbs as well, and the question is how taxes impact on that competitive position.

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The bottom line, and not shockingly, is if you pay a dollar of taxes, you want at least a dollar back in benefits and services. And the question then is, let's find taxes that work well within that context.

The property tax is going to be largely felt through the property market, impacting housing, construction, and demand. The sales taxes, in particular the gross receipts tax, which more generally is known as a turnover tax, are going to be a direct impact on business activity and sales. It's a direct bottom-line cost and hits particularly small and new firms, firms that may not yet have a significant profit margin, but yet still will be responsible for the gross receipts. And then what we're talking about today specifically are income and wage taxes, and as has been mentioned by the two previous speakers, there are two components to that, the resident component and the non-resident

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component. As an economist, we would see the primary and direct effect on jobs as coming primarily through the non-resident component since that tax will typically have to be shifted back onto businesses as the non-residents demand compensation. If you want me to work in Philadelphia, you'll have to compensate me for the higher tax. So it comes to be borne directly by firms.

Resident taxes are also borne by firms. As families leave the area, jobs and labor supply leaves the area, firms will have to offer higher wages. So both taxes are going to have effects on jobs.

The question is how does Philadelphia stack up in a competitive sense with the suburbs in particular and more generally with the major cities in the U.S., and that's what Figures 1 through 4 will provide you with some evidence on. This is work that I have been doing for the City over the past

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many years in comparing the overall tax burden of a Philadelphia resident to those located in the major four surrounding suburban counties. The taxes that are considered are the wage tax, the property tax, and the sales tax. What we do is, we calculate the overall burden on a typical median-income household, and that's what you'll see in Figure No. 1. That median-income household living in Philadelphia and working in Philadelphia -- so this is a resident versus a resident comparison -- is about 15.7 percent. It seems high, but it includes all the taxes. Not the state tax but just the Philadelphia taxes.

The average suburban burden is closer to 9 to 10 percent. That gap on the order of 5 to 6 percent works out to be about $3,000 a year as a difference in tax payment. So what one has to have is a benefit to compensate for that of at least $3,000, otherwise we're going to be facing competitive pressure from the

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suburbs.

The second page indicates -- Figure 2 is the same comparison for the family who has now moved to the suburbs, but has chosen to keep their job within the City. So what we've done is, we've raised all the suburban tax rates by the commuter tax. It's the commuter tax less if they live in a suburb that has its own residential tax. Then they're credited for their Philadelphia tax in that regard and the differences in the sales tax, and here the gap is on the order of 3 percent, again, on that median household income of only $50,000. That's about $1,500 a year. And if you factor in, as was mentioned by the previous speaker, the commuter cost, that's another not inconsiderable sum of funds, probably on the order of $4,000 a year. The sum of those two, the tax differential and commuter cost, can see why a family that is living in the suburbs and working in the City, why that employee might find it

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very attractive to move to a suburban job alternative, and indeed as was mentioned, that's what Conshohocken now provides.

Figure 3 does the same comparison for businesses, and what we've been doing through the years so that things are comparable is working with a small business. This is a business with about $4 million in sales, and what we do is, we calculate the impact of the property tax, the gross receipts, the profits tax. We include the state tax in these calculations, because firms can deduct their local taxes against their state income tax. And, again, you see that Philadelphia firms now are paying approximately 17 percent on their profits in this case of our hypothetical firm of about $350,000 in profits. The differential is 4 percent. Four percent times three hundred and some fifty thousand dollars in profits ends up to be about $13,000 to $14,000 a year. It may not seem like much, yet if one were to do

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what economists like to do, which is to capitalize that back into the value of the stock price or the value of the firm, it turns out to be about $260,000. So this is a big impact on the overall value of small Philadelphia firms.

Figure 4 takes advantage of work that's been done in Washington, DC. Comparing the 50 largest cities -- Pittsburgh is not in this comparison because Philadelphia will be Pennsylvania's largest city -- the 50 largest cities in the country as a whole by income classes, 25, 50, 75, 100, and 150, and the bottom line in this comparison is, Philadelphia is the second highest taxed city for residents of all cities in America. Only Birmingham for the $25,000 family -- by the way, they're in bankruptcy. Only Birmingham is ranked higher than Philadelphia. For the average median-income family, Newark and Bridgeport are the only two cities ranked higher than Philadelphia, and then for

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the higher income families, only Bridgeport is ranked higher. Bridgeport, Connecticut, as you know, is a city that was flirting with bankruptcy itself.

The bottom line is, on all those comparisons, Philadelphia is a tax-expensive location, and the implication is what does that mean for overall location of economic activity. I won't hit you with all the details, except to summarize and perhaps answer the questions that Councilman Goode put to Mr. Dubow as to the impact of these taxes on the City.

Exhibit No. 1 shows you the impact of the property tax. What we're looking at here, all these little stars are things that are statistically significant in the data. What we do is, we've looked at Philadelphia alone in these comparisons. We're not lumping Philadelphia in with other cities, but Philadelphia by itself from 1970 to 2012 is the data for these comparisons. We're

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looking at the change in the real value of City property values, and the bottom line from this table is, we're not significantly impacted -- home values are not significantly impacted by unemployment rate changes. We actually are holding our own, where real value of property is pretty much constant over time, except when there is increases in the property tax rate, which you see that significant negative effect.

In that last column, the last little starred item down below says that if you were to have a 1 percent increase in the property tax rate -- and no one is proposing that, but it's used as an example -- the bottom line would be about a $6,300 fall in home values from a mean value of about $31,000 per family, about $125,000 family home, to $24,000. That's a sizable loss in property value from the effect of the property tax increase.

Exhibit No. 2 will do the same thing with respect to the gross receipts

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tax. And, again, what you'll see here from our analysis, here the unemployment rate is very big and significant in the value of the property base. Our latest struggle with the recession as that first little starred item indicates, the unemployment rate -- national unemployment rate, by the way -- went from 4.6 to 9.6. It basically cost the City about 10 percent of its business activity, about $5 billion on an overall base of about $66 billion. So we're very sensitive to swings in the national economy. Happily, I think we're in the process of returning back to where we had been in 2007.

The analysis here then looks at the impact of the gross receipts tax rate, and, again, we find a statistically significant and quantitatively important impact on base. And I can take you through the details, but won't hold you at the moment to that.

The last Exhibit-3 is the

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effect of the wage tax on jobs, and this would be perhaps a chance to answer Councilman Goode's specific question. What we do in this analysis -- and there's a particular reason for doing it -- we put together the gross receipts -- I'm sorry; the resident and the non-resident wage tax are combined here. The reason is, the taxes move together for so many years, it's hard to separate out their separated effects.

But the bottom line from this is, again, you'll see a significant and negative impact of increases on the wage tax base on Philadelphia's share of national jobs. Our share of national jobs went from about 1.5 percent when we began this study in the late -- with data from the 1970's to now we're about one-half of 1 percent of national jobs. So we're losing against the national economy in the aggregate.

The bottom line, Councilman, is that the proposed cuts from 1996 and

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onward have basically, as Mr. Dubow implied, have basically offset the secular decline in jobs. So we've been able to hold our own on jobs largely because of the reductions in the wage tax rate.

So the evidence for Philadelphia is that these taxes really do matter and that they can have significant effect. I was fortunate enough to be part of the Mayor's 2009 Tax Force on Tax Policy and Competitiveness where the Commission made some very specific recommendations, and I'll just basically highlight two of our recommendations, what we called Reform No. 1 and Reform No. 2.

Reform No. 1 lowered the resident and non-resident wage tax on the order of roughly the magnitude of Councilman Oh's proposal with respect to the resident wage tax. It also lowered the gross receipts tax, which is, of course, going to improve business

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activity and job opportunities. It paid for these tax reductions in two ways. We raised the property tax rate, but allowed for a homestead exemption, which eased the burden on families. So it is, I think, to the proposal offered by Councilman Goode or suggested by Councilman Goode comparable in lowering the wage, gross receipts rates, and raising the commercial rate. That's part of the proposal that was offered.

Reform No. 2 does the same, but with a bit more aggressive stance on the rate reductions. And Reform No. 3 is the most regressive -- I'm sorry; aggressive position.

Reforms 2 and 3, we did not raise the property tax rate by -- balanced the budget totally through the property tax rate. We did it by looking for something on the order of a $200 million savings in the $4 billion budget. And so, again, that's not different from where I think Mr. Dubow's concerns about

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the $115 million hole. This proposal would factor that in and would pay for -- help pay for the tax reductions through savings reductions.

The bottom line you'll see in those various projections, the short story is that two good things happen and one pretty good thing happens. Jobs go up with Reform Proposals 1 and 2 against what the trend would be. So we're fighting a negative trend in all cases, losing jobs over time. But the proposal that Councilman Oh has put together as part of this Reform Package No. 1 would help stem the loss of jobs.

The gain in jobs gains us population. Roughly every job adds about 2.5 people to the City's -- to the overall population. So it's a way of stabilizing the City's population.

And then we pay for these proposals with an increase in the property tax rate, again, mentioning the homestead exemption for households. And

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what you'll see in the last graph, market value graph, is that home values are still going up, but they won't go up as much as if there had been no tax rate increase.

So the bottom line is for me a well-structured tax reform proposal -- and I would argue that such a proposal would move tax burdens off of mobile tax bases; that is, jobs and businesses which can leave very easily, and on to immobile bases, which would typically be property. That kind of a tax proposal I think has real advantages for the long-run competitive position of the City, and my analysis suggests that jobs population will definitely be increased and ideally not -- from the Commission's proposals, not a big negative impact on home values.

Thank you very much.

COUNCILWOMAN TASCO: Thank you very much for your testimony. I appreciate it very much.

Any questions?

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Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Good morning, Professor.

PROFESSOR INMAN: Good morning.

COUNCILMAN GOODE: Is it fair to say that the Administration's strategy within the Five Year Plan does move away from mobile taxes?

PROFESSOR INMAN: Yes. Absolutely.

COUNCILMAN GOODE: And in your testimony and analysis today, were you testifying specifically on this bill or were you testifying on a broader tax reform strategy?

PROFESSOR INMAN: A broader strategy. I have not done the detailed analysis of this particular bill.

COUNCILMAN GOODE: That's the next question. Did you actually analyze this particular bill?

PROFESSOR INMAN: No, I have not.

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COUNCILMAN GOODE: So you don't know how many jobs would be saved from this particular bill?

PROFESSOR INMAN: No. I could -- you could do a back-of-the-envelope calculation from this bill by going to that Exhibit No. 3, calculate what the fall in the wage tax rate would be, and then you could calculate the actual job gain from that. And if that were something that you were interested in, it would not be difficult to do.

COUNCILMAN GOODE: But most of your analysis has dealt with comprehensive tax reform and reform the total tax structure. So it includes looking at property, business, and wage tax at the same time. Is that not correct?

PROFESSOR INMAN: Yes. It was a combined package, and the important objective when analyzing the package was to be sure it was part of a balanced budget.

COUNCILMAN GOODE: Thank you.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: Any other questions?

(No response.)

COUNCILWOMAN TASCO: Thank you for your testimony. As you made your presentation, I made some notes, and since I've been around a long time, I have some history in this City of dealing with the -- not directly involved in City government, but as a staffer at the Urban Affairs Coalition, the Urban Coalition at that time with Charlie Bowser. And I remember back in those days when -- and this is no negative comment about this chamber, but it's a fact, that the Philadelphia Chamber being a regional chamber, Greater Philadelphia Chamber, was encouraging people to move to the Great Valley. So we began to lose businesses, and then, of course, the growth of the suburban area with the

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companies opening in the suburban areas, we lost a lot of population and people of certain income levels. And at the other point, there was a political decision to raise the wage tax in the '70s to satisfy a commitment to a labor union.

So there's some history here about how we got where we are, and I think -- I had to bring it up, though. So we have a city here with -- and I agree, we do need to lower the wage tax. I think the taxes should be lowered, and this Council has done -- not just this Council, the Council before under Councilman Street -- really tried very hard to find a way to make Philadelphia attractive for businesses to come to the City, and also the decisions by the Council to give certain benefits to entice residents to move in the City came as a result of the action of City Council. There seems to be some action, some thought that we've not done too much to encourage the City, the development of

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Philadelphia. But going back to that history and looking at how companies left this city and then, of course, the manufacturing went to the south and then to China and India. So we have a whole history of how we got here, but that doesn't give us an excuse for not trying to make it better. And so I just wanted to throw that out there so that we can't -- we don't want to -- we're here where we are because of past actions by politicos and some business decisions.

PROFESSOR INMAN: Madam Chairman, I would add only one little thing to your story, which is certainly -- looking at the data, your story is in the numbers unequivocally. The only thing I would add is, over the years that I've been doing this work, people said, Well, little changes don't make a difference. And the bottom line is little changes add up to make a significant difference, and I absolutely applaud the track record of the Council

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from the mid '90s onward. It clearly has made a significant difference to the economy of the City of Philadelphia.

COUNCILWOMAN TASCO: Thank you very much, but you would have some belief that we're worthless. Thank you. I appreciate your information.

Next now we have Mr. Paul Levy, Mr. Steven Bradley, and Mr. Jerry Sweeney. Where are the women?

(Witnesses approached witness table.)

COUNCILWOMAN TASCO: Good morning.

MR. LEVY: Good morning, Councilwoman Tasco. My name is Paul Levy with the Center City District. I'm joined by Jerry Sweeney and Steve Bradley. We've coordinated on this testimony and would be prepared to deliver it at this point. I have additional copies if you need additional copies. Thank you very much.

COUNCILWOMAN TASCO: You

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submitted copies prior?

MR. LEVY: Yeah, we did. We have some additional, same testimony.

COUNCILWOMAN TASCO: Thank you very much.

MR. LEVY: We're pleased to testify in favor of Bill 140081 and the restoration of a more aggressive phased schedule of wage tax reduction, but the City probably can't afford to implement these reductions unless they are part of a comprehensive plan of tax restructuring that enables Council to sustain needed City services and programs while simultaneously putting us on a path of more robust job growth.

Philadelphia, as we all know, faces three major challenges - poverty, unemployment, and insufficient funds for our schools.

Despite all the recent positive developments, we have the third highest poverty rate among major U.S. cities, behind only Detroit and Memphis. From

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1990 to 2013, the poverty rate in Philadelphia increased from 20 to 27 percent, growing at two times the national rate. We have a larger percentage of people in poverty than in Boston, New York, Washington or Baltimore.

Between 1990 and 2013, Philadelphia's unemployment rate increased from 6.3 percent to 10 percent while the national rate only rose from 5.6 to 7.4. And as you well know, we spend far less per student on education than most of our suburban neighbors.

Part of this has to do with the state funding formula, but as the recent Pew study, which the bar chart I've reproduced in my testimony shows, the low assessed value of our real estate provides insufficient funds for our schools.

These three challenges - poverty, unemployment, and insufficient funds for our schools - are profoundly

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influenced by job loss.

On the front page of our testimony, there are three very disturbing charts. The first one shows that Philadelphia has 23 percent fewer jobs than in 1970. That's a loss of over 245,000 jobs. Since 92 percent of the General Fund revenues come here in this Council from local, not state or federal sources, it's very hard for you to fund adequate services on that declining job base.

But this is what the second chart says so profoundly. Job decline is not the fate of old cities any longer. We do look unfortunately like Detroit in terms of the percentage of their jobs that they lost, but our neighbors - Boston, New York, and Washington - have grown 22, 23, and 26 percent more jobs since 1970. All of them lost the same percentage of manufacturing jobs that we did. They have just done a better job of growing more jobs and new jobs.

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Now, many things caused that job loss, but as you just heard from Bob Inman, tax structure looms large in that. We share with Detroit the extraordinary high dependence on a wage tax, making us among the largest cities the highest wage tax for those people who earn less than 100,000. We put a premium on businesses within the City.

Now, Philadelphia is outpacing lots of peer cities with a growing cadre of self-employed individuals, but because those individuals are trying to sell services into a contracting economy, the number of sole proprietors and African American firms that has succeeded enough to take on employees lags behind other peer cities.

Now, this Council has recognized the benefit of creating more competitive and equitable tax structure. Since 1997, you have approved wage tax reductions that have brought us from 4.96 to 3.92. You have approved changes to

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the business income and receipt tax specifically to support job growth by including exemptions for investment and information technology firms and most recently for small businesses. You reduced taxes to grow jobs. You've approved several Keystone Opportunity Improvement Zones, all with the stated goal of creating a climate for more job growth. This Council did the heavy lifting to analyze and improve a rational and equitable plan for real estate taxes through the Actual Value Initiative.

All of these are components of the comprehensive plan that was recommended by both the 2003 and 2009 tax commission.

Today, 66 percent of municipal tax revenue is derived by taxing highly mobile things, wages and business revenues, and that is driving business and people out of the City. That growth has constrained minority and disadvantaged firms from growing, because

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it's quite difficult for a disadvantaged business or a startup manufacturer to grow in a contracting economy with minimal opportunity. Our peer cities have done much better in African American business formation.

So Council has approved small steps, reducing the burden on some businesses and in some places, but needs to put all the pieces together into a uniform comprehensive citywide plan.

Now, as you heard from previous testimony, the primary reason that a more comprehensive plan has not been adopted is a very realistic concern that a gap will open in the City budget between the time when cuts are made in wage and BIRT and we get the resulting growth in real estate tax. So as we've looked at this, we see four alternatives, some of which you have looked at, all of which would help us achieve those goals of the Tax Reform Commission of getting the wage tax below 3 percent and dramatically reducing the business income and receipt tax.

Option 1 is find a way to cut about 5 percent from the City's budget so municipal government needs less revenues. In a city with huge social needs and county functions like courts and prisons, that seems unlikely.

Option 2, reduce the City's need for taxes by selling a large public asset to pay down pension liabilities which are eating our municipal budget. Council knows well the challenges of that path.

Three, raise the real estate millage rate for all real estate taxes throughout the City from 1.34 to 1.54 and use those revenues to achieve both wage and BIRT reduction and more funds for the schools. Obviously having lived through AVI, you know the challenges of trying to increase residential real estate tax.

And that leads us to a consideration of Option 4. Create a path at the state level that allows the real

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estate tax rate on business and commercial property, but not on homeowners, to go from 1.34 to 1.54. That alone will cover the cost of the wage tax reduction that is in this bill, plus enable us to cut in half the net income portion of the business income and receipt tax.

Most importantly, we believe based on multiple analyses that it will not open any gap in the City budget, and instead of being flat on jobs, it will give us an ability to grow 40,000 to 50,000 jobs.

The three of us up here have been working with many others and would be eager to discuss with Council how we achieve any one of these four options.

Thank you very much.

COUNCILWOMAN TASCO: Thank you very much for your testimony.

Any comments or questions?

Councilwoman Brown.

COUNCILWOMAN BROWN: Good

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morning. I'm struck by --

MR. LEVY: You're Councilman Kenyatta Johnson based on where you're sitting right now.

COUNCILWOMAN TASCO: We don't know. We just come in and sit down.

MR. LEVY: Sorry.

COUNCILWOMAN BROWN: Thank you for that alert. Good morning.

MR. LEVY: Good morning.

COUNCILWOMAN BROWN: And thank you always for testimony that is backed up by data and research, which I appreciate.

I'm struck by your observation on Page 2 -- maybe it wasn't Page 2. No. It was actually only Page 3 and Bullet No. 4 wherein you say expand the real estate tax base for the schools. And so with that as a backdrop, briefly can you speak to the value or not of PILOTs and, given what you know about PILOTs, where and what or should Philadelphia do better when it comes to this entire payment in

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lieu of taxes effort?

MR. LEVY: I'd be glad to address that. Before doing that, I just want to indicate that most of the data and most of the research indicates that if you lower the wage tax and you lower BIRT, you will have more businesses stay in the City and grow in the City. That will have the effect of increasing the demand for commercial real estate. So we believe that this plan will drive up the demand and, therefore, rents. We always talk about affordable rents in office buildings. Jerry can address that, but that's actually a sign of weak demand. So we think this plan of lowering wage and BIRT will see dramatically increasing rents in commercial office buildings that people will gladly pay for because those other costs will be out of the way. Small businesses will grow. So the real estate tax base grows, benefiting both the City as well as the School District.

I mean, I am not the expert on

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PILOTs. I obviously know that many of our academic institutions make significant contributions. Clearly, I will say this, that those organizations that are tax exempt are the ones that are growing fastest in the City. That should tell us something.

I should say that if you look at wage employees in the City, we are actually down 2 percent. The sole growth in employment we have had in this city is among sole proprietors, who are exempt from the wage tax. So our only growth has come in the areas where we lowered the barrier of taxes.

COUNCILWOMAN BROWN: I'll push the pause button and reflect on that answer. Thank you very much.

Thank you, Madam Chairwoman.

COUNCILWOMAN TASCO: I really appreciate your thoughtful testimony and appreciate your coming in.

The other gentleman, are you going to testify? Would you identify

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yourself for the record, please.

MR. BRADLEY: Good morning. I'm Steven Scott Bradley, Chairman of the African American Chamber of Commerce. As Chair of the African American Chamber of Commerce of Pennsylvania, New Jersey, and Delaware, I've always focused our energy on issues that will improve the City's economy and create opportunities for small and minority businesses in our community to grow and create jobs.

That is why I'm here today to testify jointly in support of this bill that Paul explained a lot of the issues. And I think an accelerated reduction in the City's wage tax and net income portion of the business income and receipts tax, coupled with an increase in the real estate tax on commercial property, will be beneficial for the region.

Philadelphia's high business and personal income tax continue to be impediments to small businesses trying to

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grow and hire employees. This is of particular concern for the African American business community.

I believe that job creation is the single most important goal that our city should be striving towards. As more people gain employment, other positive results will naturally follow.

This bill being discussed today is a good start towards creating a better business community that we need that Paul proposed in order to achieve real growth and opportunities for the region, and I'm here to lend my support.

COUNCILWOMAN TASCO: Thank you very much.

Would you identify yourself, please.

MR. SWEENEY: Good morning, Madam Chairwoman. My name is Jerry Sweeney. I'm President and Chief Executive Officer of Brandywine Realty Trust. Brandywine Realty Trust is a publicly held real estate company with

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significant holdings in Philadelphia. We own and operate properties from the Delaware Riverfront to Center City Philadelphia to University City. We currently have two projects under construction in the City and have made an investment of over $2 billion in the City's future. I'm here today to testify in favor of Bill 140081 as a signal that the City is open for business and wants to expand its workforce.

As you heard from Paul and Steven, the City, while having many tremendous successes over the last decade like population increase, growth in our 20- to 34-year-old population base, and a solid employment base of educational and medical anchor institutions, we are still a city that needs to demonstrate a continuing ability to grow our employment base. This bill should be part of an overall comprehensive tax reform strategy that will enable the City to achieve the greatness we all know that it can.

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We are, however, standing in an inflection point, but we do have the opportunity, if we're smart, to position Philadelphia for accelerated growth and to take advantage of national demographic trends. This bill should be part of an overall legislative agenda to establish a strategic goal around which all other public policy tactics revolve and send a clear message to both the neighborhoods and the business community that Philadelphia is ready to grow.

I am a member of the group of business, labor, and civic organizations who believe that the unifying goal to drive all public policy in the City of Philadelphia is creating jobs. Our overriding objective is that Philadelphia should be a top five job creator in the United States. To change our trajectory of 40 years of decline, we need focus, we need discipline, and we need to change our tax structure and we need to believe that we can be successful.

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As a city, we still suffer from the burden of declining revenues, unfunded pensions, anemic job growth, undervalued real estate, and relatively high unemployment.

Under some of the approaches being considered, for the first time business and commercial real estate owners are proposing to pay more in real estate taxes to create a dedicated funding source that over ten years will reduce the wage tax below 3 percent and the net income, BIRT, by 50 percent. Everybody in Philadelphia works benefits and businesses get a green light to grow.

As Paul mentioned, our plan could generate substantial job growth over the next ten years, and our plan is immediately revenue neutral to positive for the City; therefore, no budget gap.

The City, as you all well know, is at an exciting crossroads. So much has been done. So much has been accomplished, and we truly have a

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platform for great success, but the ways of the past won't ensure our future. Growing jobs will enable us to reduce unemployment, reverse poverty trend lines, invest in infrastructure, and begin implementing effective public policy to ensure that our neighborhoods directly benefit from the citywide resurgence. We simply need to choose to do that, and by proposing to pay for some of these changes and making it revenue neutral, the business and real estate communities have already voted they believe in our success.

So thank you very much.

COUNCILWOMAN TASCO: Thank you very much.

Do I understand that you are asking us to pass this bill today? I thought maybe what I heard was that we needed to have a comprehensive plan as you outlined in your testimony, Paul.

MR. LEVY: I think it is the latter. I think what Jerry was saying is

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that this sends a signal, support for this type of approach of lowering taxes, but we believe it can't be done unless it's part of a comprehensive plan.

COUNCILWOMAN TASCO: I think so too.

Thank you very much.

Any other questions or comments?

Councilman Goode.

COUNCILMAN GOODE: I'll defer to Councilwoman Brown first.

COUNCILWOMAN TASCO: Councilwoman Brown.

COUNCILWOMAN BROWN: So in this forum, assumptions are always taboo. So does your testimony reflect the sentiment of the Greater Philadelphia Chamber of Commerce as well?

MR. LEVY: I think the Chamber is here today. They can speak for themselves. We are in a conversation, a dialogue. I think everyone needs to analyze this proposal. We don't think

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anybody should just say let's do it. This requires careful thought and analysis, but we want to put it on the table, because having spent a great deal of time talking to you and others, we need to find a path. We think this is a very interesting but, I should say, difficult path to achieve.

COUNCILWOMAN BROWN: So to underscore the remarks of the Chairwoman, the record should always reflect that members of this legislative body agree fundamentally, philosophically that we need to move in that direction. The greater challenge is always how we do that in a way that we hold all the factors harmless. And I don't know that that's possible because we've never attempted it before, but the notion that there are members of this body, A, who philosophically don't get it is false, and we're prepared to work in a very deliberative, intentional strategic way to get to where we all want to be.

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Thank you very much.

COUNCILWOMAN TASCO: Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Thank you for your testimony. Your testimony is very consistent with the recommendations that I pushed through the Jobs Commission and the conversations that I've had both with Mr. Levy and Mr. Bradley. So I just thank you for coming around to my way of thinking.

MR. LEVY: We're just slow learners.

COUNCILWOMAN TASCO: Well, the other part to this is trying to, your fourth point, creating a path to the state, because they play a major role. So that is something that should begin.

I don't know who is going to be the moving party on this, whether it's the Mayor, and I think he has his whole Tax Commission to begin to think about how we move forward to address the whole

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issue of our whole tax structure, and the state will be crucial. I was just asking Councilman Greenlee could we have a lottery just for Philadelphia. He said no. Because I'm concerned about as we move to the real estate tax, you have a lot of seniors who are people who have been in their homes a long time and probably could not afford a huge tax increase. So we want to be mindful of that. But I think you have made some good points, and I believe this Council will work with you and other parties to move in the direction so that we can make Philadelphia a more attractive city.

MR. LEVY: We'd welcome that opportunity. Just to underscore what you said, this would be -- we're at a very interesting time in the City, as Jerry said. We're obviously at a potential change in leadership within the City. We've had a change in Harrisburg. This will require a partnership with the state to achieve. We have to do that together.

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So comprehensive in not only addressing all the taxes but comprehensive in terms of the city-state plan.

MR. SWEENEY: If I might just add on to that, it certainly requires a lot of interaction with the Commonwealth, but I certainly think the seminal point is really the City taking a leadership role on agreeing that this is a good path to go down, that it's a way to really change the messaging to the job growth part of the City, and it's really very important I think for the City to take the leadership role here. I think the Commonwealth certainly is a key stakeholder, but whether it be the Administration or City Council, I think it's now time for the City to make a statement that it's prepared to fundamentally address some of the inequities inherent in its tax structure, whether it be the high cost of the wage tax on lower income folks or the blocking nature of the business tax structure.

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There are clearly impediments that have been known for some time and, frankly, we have talked about it for over a generation, and during that period of time, as Paul testified and Dr. Inman testified, other cities have gone far beyond us in terms of their ability to create jobs and transition to a non-manufacturing employment base.

So we would certainly look forward to working with members of Council, the Administration, the various chambers to make sure that this platform gets a great level of support from the City that creates a compelling case to the Commonwealth that this is a key strategic goal of the City of Philadelphia, from which the Commonwealth can only benefit.

MR. BRADLEY: I just wanted to add one important item, is the Coalition is comprised of small, large, private and public, and labor. So the Coalition represents the demographics of the City,

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and I think that's very monumental, the impact that this can have on small businesses. So everybody is working together on one agenda to try to move this forward.

COUNCILWOMAN TASCO: I think that's a great idea, and we thank you for your comments, your testimony, your thoughtfulness, and we'll take your advice. Thank you.

MR. LEVY: Thank you very much.

COUNCILWOMAN TASCO: Councilman Oh.

COUNCILMAN OH: Thank you very much, Chairwoman. I just would like to make just a comment as opposed to a question to state that yesterday I was in Harrisburg and I met with Speaker Mike Turzai. This Council had approved a resolution to support 300 taxi medallions and modern things like that. It's not a conflict with Lyft or Uber. But fundamentally the idea was that if there was a buyer -- and we have a buyer -- it

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would generate about $150 million. It's a one-time influx of money for the state. The issue is, would the state create a fund, and from that fund at the basis of approximately 25 million a year the offset of a reduction in wage tax. And it is positive at this point in time, details going forward.

This is a $50 million cut right off the bat, 5 million over ten years following -- the Administration says it is about a $115 million deficit in the budget over five years, a little higher number, about 40 million to start, and the lowering number, about 23 million per year for the first five years. The reason the number gets smaller is because when we do a cut like this, our bond rating, our interest rates, other things get better and jobs sustained, job growth investment. I also met with Senator Farnese.

And so this is a bipartisan effort. One of the things our Council

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did was to approve a resolution and a bill -- not approve, but we have forwarded a Charter change on an international investment entity in coordination with the state that would receive overseas dollars.

My point isn't that those are perfect solutions. My point is that when we make a positive step forward to enhance our economy -- and, yes, it does involve a reduction of the business taxes -- it does automatically stabilize business, create growth and, as importantly said -- look, a lot of the jobs that are leaving Philadelphia are back-office jobs. Those are jobs that used to be a young lady graduated from high school, could type, was able to get a job in Center City, become a secretary, become a manufacturer, a supervisor, have health insurance. Those jobs are in the suburbs, and that is affecting opportunities in our neighborhoods.

The goal of our Administration,

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the Mayor's Office, our City Council has been not just to try to increase taxes while we lower taxes, is to aggressively move forward and find new revenues and enhance the capabilities of our private sector, our non-profit sector to increase jobs and other things. This discussion is, I think, critically important, as was said, but I just want to put into place it's $115 million over five years. I think that's quite doable even within the budget, in addition to which we can take action to increase our revenues in a number of ways.

I would point out also, looking at Councilman Henon there and the members of the Manufacturing Task Force, affirmative steps to grow the economy, and I think that has been a critical issue. But if we make this step to reduce this crippling wage tax, we have to match it with the same amount of will and creativity to grow our economy.

But I appreciate your testimony

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today. Thank you.

COUNCILWOMAN TASCO: Thank you very much.

MR. LEVY: Thank you.

COUNCILWOMAN TASCO: Okay. Moving along, we have Mr. Saul Behar, Mr. Chet Riddick, Mr. Joe Grace, and Mr. Ben Connors.

(Witnesses approached witness table.)

COUNCILWOMAN TASCO: Good morning.

(Good morning.)

COUNCILWOMAN TASCO: Who is going first? Would you state your name for the record, please.

MR. BEHAR: My name is Saul Behar and I am Vice President and General Counsel of the University City Science Center.

Good morning, Madam Chairwoman and members of the Finance Committee. On behalf of our President and CEO, Stephen Tang, my Science Center colleagues, and

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our Board of Directors and shareholders, I am honored to address this Committee and I thank you for the opportunity.

Today I'd like to express the Science Center's support for wage tax reform. Reducing the wage tax is one very important step we can take to support our city's growing innovation and entrepreneurship ecosystem and to make Philadelphia even more attractive to the technology sector.

As the oldest and largest urban research park in the nation, the Science Center has supported innovation and entrepreneurship here in Philadelphia and the surrounding region for more than 50 years. We are a 501(c)(3) non-profit corporation owned by 31 of the leading universities, hospitals, and research institutions throughout Pennsylvania, New Jersey, and Delaware, including institutions here in Philadelphia such as the University of Pennsylvania, Drexel University, the Children's Hospital of

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Philadelphia, Temple University, Thomas Jefferson University, Philadelphia University, and the University of the Sciences.

The Science Center began with one building at the corner of 34th and Market Streets. Today our campus is made up of 16 buildings on 17 acres along the stretch of Market Street from 34th to 38th Streets designated as the Avenue of Technology.

Last September, we officially opened our 16th building, 3737 Market, at the corner of 38th and Market Streets. 3737 Market is home to Penn Medicine University City as well as Spark Therapeutics, a gene therapy startup that spun out of Children's Hospital, and Good Shepherd Penn Partners, which operates the Penn Institute for Rehabilitative Medicine. And opening on the ground floor this winter will be a new Corner Bakery Cafe.

Our 17th building, 3601 Market

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Street, the first residential project in Science Center history, is nearing completion. When the 28-story apartment tower at the corner of 36th and Market Streets opens this summer with 363 apartment units, the Science Center will truly be a place to live, work, and play.

At the Science Center, we've been incubating startups since long before the term "business incubation" was coined. Since we opened in 1963, more than 350 companies have gotten their start at the Science Center. The 93 that remain in the region today account for 15,000 direct jobs that pay an average annual salary of $89,000. Nearly half of those companies are located in the City and employ close to 5,000 people.

Current Science Center residents include 100 established companies and startups that collectively employ around 8,000 people. These companies are developing solutions for a host of problems, including food

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contamination, traumatic brain injury, and Alzheimer's Disease.

Changes in the City's tax structure are essential to attract more companies like these in innovative, high-tech fields such as the life sciences and healthcare IT to locate here in Philadelphia.

We believe that a gradual increase in the City's tax revenues from property taxes and a corresponding decrease in the City's tax revenues from wage taxes paid by residents and workers in the City as proposed in Councilman Oh's bill will lead to long-term job creation and economic growth.

And it is absolutely critical that the City does more to encourage these types of companies to come to Philadelphia and stay in Philadelphia. The high-paying, high-quality jobs that they will bring will have a transformative effect on the City from both an economic and innovation

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perspective. Tax reform is an essential element of this strategy.

If we don't compete with other cities on taxes, we will certainly fall behind.

Consider the area of science and technology. With more than 100 colleges, universities, hospitals, and research institutions in the City and surrounding areas, Philadelphia is a true eds and meds powerhouse. Our institutions are world class and rank right up there with Boston and San Francisco. But unlike those cities, we haven't done a good job of using tax policy to help leverage our natural strength in eds and meds.

Consequently, unlike Boston and San Francisco, the cutting-edge research being done at our hospitals and universities is not resulting in the formation of pharma, biotech, and medical device companies here in Philadelphia to the same extent as in those other cities.

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We also do a great job of attracting research dollars to Philadelphia. Our region ranks relatively high in funding from federal agencies such as the National Institutes of Health and the National Science Foundation, but we don't do such a great job of translating this research into startup companies that grow and prosper. We rank on the lower end of the scale in terms of patents and invention disclosures, around which new companies are formed.

We also need to attract more venture capital firms to locate here in Philadelphia. The VC firms that are based here can easily learn about what's happening in our universities and research institutions and will then be more likely to invest more of their dollars in new technologies being developed here, just like Boston VC firms invest in Boston companies and San Francisco and Silicon Valley VC companies

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invest in Bay Area companies.

As we've seen before, changes in tax policy that are targeted at specific industries or sectors can be useful. For example, in 2011, City Council passed legislation giving startup companies a two-year exemption from the business privilege tax and from other fees associated with licensing and zoning. A year later, in 2012, Council passed legislation that exempted general partners of private equity firms from paying the net profits tax.

Soon after this second piece of legislation was passed, First Round Capital, a nationally known VC firm, moved its headquarter from the suburbs to West Philadelphia. First Round Capital's move into the City is proof that tax reform can work as intended.

And the City can always do more. Targeted payroll tax credits for industries such as biotech and clean technology, for example.

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But the key is that the City and all of us in this room must work together, using tax reform and other tools, to support a true, broad-based innovation economy right here in Philadelphia.

Together we can build on our great wealth of colleges, universities, and hospitals to create and bring in more companies and investment firms that will enable us to grow our own version of Kendall Square in Cambridge or Mission Bay in San Francisco.

The Science Center believes that structural tax reform, with a gradual shift of the relative tax burden from wage taxes to property taxes, is the right strategy for the City in the long term.

It's a virtuous circle. If we can revise the City's tax structure to make the City more attractive to business, then more businesses will come here, which will drive up rents and

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property values, which will create more tax revenues for schools and City services, which will lead to more economic growth and prosperity for everyone.

Thank you.

COUNCILWOMAN TASCO: Thank you very much.

Who is going next?

MR. RIDDICK: Good morning, Councilwoman Tasco.

COUNCILWOMAN TASCO: Good morning.

MR. RIDDICK: How are you this morning and the Finance Committee as well? My name is Chester A. Riddick, Jr. I'm the President and CEO of Alpha Enterprise Group, formerly known as Alpha Office Supplies, and it was founded by the great James L. Brown, who is now deceased, some 30 years ago.

I am here today to testify regarding Bill No. 140081, which would also amend the wage, earnings, and net

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profits tax for residents and non-residents in Philadelphia. In addition, I am truly honored this morning to testify to this Committee on what I believe is a most important and vital change in the wage tax structure from the current rate of 3.92 percent to 3.7070 percent. I am also aware that this bill will hold the non-resident portion of the wage tax at a rate of 3.4915.

First and foremost, it is important to note that as a business owner who employs and affects the lives of over 240 people, any form of tax reduction is music to the ears of those folks who are struggling to make ends meet within their households. Many times over I listen to my employees who are trying to find a way to take home more of their earnings to pay for basic life necessities such as milk, food, water, bread, and rent. My employees tell me that they are facing increasing costs that is becoming almost unbearable and

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they look to some type of relief to help them with their daily everyday lives.

The bill proposal sponsored by Councilman Oh seems like a bill that is moving in the right direction. Any reduction in the tax burden on families, individuals, and businesses' net profits is indeed moving in the right direction that will create an economic impact most suiting for the Philadelphia region.

In my opinion, the bill represents a bold and challenging discussion, not just for this Committee on Finance, but for every resident, every non-resident, local business that pay net profit earnings tax. A decrease in wage tax will most definitely have an economic impact on all Philadelphia workers and businesses.

When an employee takes home more of his or her pay, they have more discretionary income to spend in the Philadelphia region. As we all know and are aware, when people have more money at

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their disposal, they will spend that revenue for additional goods and services in the Philadelphia region. This will create additional tax revenues from those purchases to more than cover the loss in revenues from a reduction in the proposed wage tax. Again, any tax is a burden to our residents, non-residents, and businesses that remains in this great City of Philadelphia simply because we all have a vested interest for what this great City of Philadelphia represents and means to the GNP of this region and country.

Therefore, for all of the aforementioned reasons, I request that this Committee approve and pass Bill No. 140081 sponsored by Councilman Oh. Again, it is my pleasure to come before this Finance Committee chaired by the Honorable Marian B. Tasco.

Thank you.

COUNCILWOMAN TASCO: Thank you very much for your testimony.

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Next, Mr. Grace.

MR. GRACE: Thank you, Chairwoman.

Good morning, Chairwoman Tasco, members of the City Council's Finance Committee, Councilman Oh. I'm Joe Grace, the Director of Public Policy for the Greater Philadelphia Chamber of Commerce.

You've heard much testimony this morning, generally in favor of this legislation. I think you'll hear similar testimony from the Chamber of Commerce.

At the Greater Philadelphia Chamber of Commerce, we advocate to help our members grow their businesses, create jobs, and compete successfully in our City's marketplace in the City and across the region. We have over 2,000 member businesses here in the City.

The City's wage tax, along with the business income and receipts tax that is levied upon both gross receipts and net income, unfortunately help make Philadelphia one of the highest taxed

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cities in the country, a ranking that none of us seek to hold on to.

Beginning in the Rendell Administration and continuing through the Street Administration and the Nutter Administration, City government has followed a sound policy of small but incremental reductions in the wage tax as an incentive to businesses to remain here and to attract new businesses to our city as well. We wholeheartedly support that policy, and we must commend City Council for following that policy through literally three different mayoral administrations.

From its high-water market of 4.96 in 1991, the wage tax on City residents has been slowly reduced to its present rate of 3.92, which includes the 1.5 percent PICA tax. That is progress. The Chamber places reducing the wage and business privilege tax at the top of its list of highest public policy priorities.

Under the proposed tax rate

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schedule in this bill, the wage tax on City residents would be reduced further still to 3.59 percent, including the PICA tax, over the next ten City fiscal years.

We understand from some of the other testimony this morning that the reduction in wage tax revenues from this tax cut presents significant, real budgetary and fiscal issues which City government must address in managing the budget and delivering essential City services. That was addressed in the earlier testimony from Finance Director Dubow.

But we also know, as you heard in earlier testimony from Paul Levy, that Philadelphia has lost several hundred thousand jobs over the last several decades as the City has shed manufacturing jobs, lost population, and transitioned to a more service economy.

Three different tax reform commissions studying Philadelphia's tax structure over the past decade have

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recommended reductions in the City's wage and business taxes in an effort to keep businesses and jobs here and lure new enterprises and jobs to our city, to reverse that very same jobs and population drain of recent decades.

Whether the specific tax reform proposal that the City chooses to follow is the two-tiered property tax approach with wage and business tax reductions that Paul Levy, Jerry Sweeney and others are advocating and which the Chamber of Commerce is carefully considering and which we believe has merit, or this robust approach to further reductions in the wage tax envisioned by Bill 140081, we should all agree on one imperative: Philadelphia needs tax reform. It needs lower wage and business taxes. It needs more businesses here, more jobs created here, and more citizens wanting to call Philadelphia home.

And then lastly, Madam Chairwoman, as the Greater Philadelphia

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Chamber, we do advocate equally for reductions in the non-resident portion of the City wage tax. Tax reform experts have long noted that reducing the non-resident portion of the wage tax is a very strong incentive to attracting more businesses, workers, and jobs to come into Philadelphia.

Thank you for the opportunity to be here this morning and to testify on this important bill concerning our economic future.

COUNCILWOMAN TASCO: Thank you very much.

Mr. Connors.

MR. CONNORS: Good morning, Chairwoman Tasco and members of the Finance Committee. My name is Ben Connors. I am the Director of Government Relations for the General Building Contractors Association. GBCA has a membership of over 350 commercial, industrial, and institutional general contractors, subcontractors, material

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suppliers, and construction service firms throughout the greater Philadelphia region.

We would like to thank Councilwoman Tasco and the Finance Committee for allowing us to testify today and Councilman Oh for sponsoring this important proposal to encourage business activity and growth in the City.

Philadelphia's reliance on the wage and net profits taxes shrinks the labor market within the City and imposes a competitive disadvantage on businesses operating here, as repeated studies have shown, experts have said, and legislation from this body has attempted to address. Unfortunately, the progress towards eliminating that disadvantage has tapered off in recent years, and GBCA strongly believes that now is the time for this vital work to begin again.

Councilman Oh's bill would recommit the City to weaning itself from this counterproductive tax by creating a

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schedule for a slow but steady reduction in the tax rate over the next decade. By setting a reasonable date for achieving rough parity with the surrounding municipalities, this legislation will provide certainty for businesses planning to grow or maintain a presence in Philadelphia and provide an incentive for businesses that are considering Philadelphia for future business operations.

We greatly appreciate the Finance Committee giving consideration to reforming the City's tax structure, which in this instance will make it more attractive to conduct business in Philadelphia. Bill No. 140081 is an important step forward in support of the City's ongoing efforts to increase economic development and job creation. The General Building Contractors Association wholeheartedly supports this initiative and we urge you to issue a favorable report.

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Thank you.

COUNCILWOMAN TASCO: Thank you very much.

I have a question for you, Mr. Grace. In Mr. Levy's testimony, one of his recommendations was to create a path at the state level that allows the real estate rate on business and commercial property but not homeowners to go from 1.34 to 1.54. Have you all had any discussion about that?

MR. GRACE: We have had extensive discussions, Madam Chairwoman. We're conducting a technical review of every element of that proposal right now that includes Mr. Levy, Mr. Sweeney. Actually, there are some members of City Council's staff that have participated in those discussions with us, other businesses in the City. We're talking to legislators in Harrisburg, former senior legislative counsel to the state Senate to better understand how could we get this proposal to move forward, because I

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don't know if we have time today to go into the technicalities, but because it would amend the Constitution on the Uniformity Clause under the State Constitution, it would have to be approved by two sessions of the Legislature. So consecutive two sessions of Legislature. And then it would have to be submitted to voters as well of the state.

So there's any number of serious steps that need to occur. We're looking at it very carefully. We held a lengthy meeting, I think, about two weeks ago with the creators of the plan and some of these other stakeholders that I just mentioned to you. We're continuing that process. As I mentioned in my testimony and I added it to my testimony, we believe that the plan has merit, but we think there's a lot of technical hoops that need to be jumped through in order to make it a reality, and we're working toward that goal now.

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COUNCILWOMAN TASCO: Okay.

Any other questions?

Councilwoman Brown.

COUNCILWOMAN BROWN: Good morning, gentlemen. I would be remiss not to first salute Mr. Jim Brown in his absence for having a vision to create a succession plan with Alpha Office Supply that is now Alpha Enterprise Group and to congratulate you for being the bearer of that baton to carry on his vision that's now 30 years old. Congratulations.

MR. RIDDICK: Thank you very much.

COUNCILWOMAN BROWN: Secondly, in listening and reflecting on both Paul Levy and Mr. Sweeney's testimony in how we proceed, what is the view of this group and, most specifically Joe Grace, in how we as a city, as a Council proceed with regards to the recommendations that were initially put forth by Councilman Goode?

MR. GRACE: Councilwoman, I

think -- forgive me. I was following you until the very last moment when you said as it pertained to the provisions put forward by Councilman Goode. I had you until the last moment. Forgive me.

COUNCILWOMAN BROWN: No problem at all. Councilman Goode stipulated in his final remarks that the four wage tax reduction recommendations, that he was a part of that commission and in many ways these reflect his thinking that we're now discussing here today. So with that said, what is the view and the "how" we should proceed?

MR. GRACE: So now I understand your question. Thank you. So with regard to the Jobs Commission, which is what I think Councilman Goode was referring to, we supported wholeheartedly the conclusions and recommendations of the Jobs Commission. So that's point number one.

Point No. 2, and I'm not sure who said it this morning. I'm not sure

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if it was Paul Levy, Jerry Sweeney. I'm just not certain who said it, but I think it would be helpful if the City came together as a united front, whether that is the current Mayor, the next Mayor, the current City Council, to be united around this big tax reform plan, two levels of property tax in exchange for wage and business tax reductions. The state, trying to be responsive to your question, the state is going to want to see that. The state is going to want to see that the City has unanimity around this plan.

So the actual steps of how it moves forward next, we're conducting, we're hard in discussion with Mr. Levy, Mr. Sweeney, others as what I'm calling a technical review, for lack of a better phrase, of the actual steps to try to move forward on a state level.

COUNCILWOMAN BROWN: I see.

MR. GRACE: But it would help at the appropriate time to know that everybody on the City side agrees that

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this is the right tax reform plan to move forward with.

COUNCILWOMAN BROWN: Okay, then. Thank you very much.

MR. GRACE: I hope that's helpful.

COUNCILWOMAN BROWN: Yes.

Thank you, Madam Chairwoman.

COUNCILWOMAN TASCO: Thank you.

Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Madam Chair.

I see this a little different too as every intention of reducing a tax which gives us, it seems like, a little revenue shortfall. I think instead of looking at it as a shortfall, looking at it as an opportunity to how, as the City Council, to not force us but to challenge us to come up with different ways to raise revenue without the taxes. I mean, our Council President has been a great leader on this, looking for different revenue sources to come into the City of

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Philadelphia, and this could also be a way of coming up with different revenue sources in that, yes, we are helping our local residents, people who we want to promote, people who we want to have jobs for, we're lowering their taxes. And I think that sends a message too for people to move into the City of Philadelphia, because if you move into the City of Philadelphia, your tax will go down. And also it challenges us to go forward and to say what different ways can we raise revenue to maybe have a -- fill in that little shortfall or even increase the money coming into the General Fund; therefore, eliminating the shortfall that we would have.

Now, whether it's Council President's proposal to maybe have signage on public buildings or a different proposal or is it continuing to collect additional delinquent taxes, is it ways that challenge us to go after these extra additional resources and also

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grow the City at the same time, it would help if people like you, the Chamber, and other people here who spoke today come up with maybe other additional revenue sources that they think Council can maybe promote and an Administration together can promote, because you're right, we need to do this together with the Administration and Council to make things like this work. And I think it's also a challenge for the Chamber and other organizations to come up with additional revenue ideas that we as a city can move forward to fill these gaps. And if you have any of those ideas, now would be great to hear also. David had an idea about taxi medallions, but, I mean, we could use a lot more ideas into filling these gaps.

MR. GRACE: Councilman, just three very quick responses. One, just recapping, the Chamber supported and still supports placing advertising on municipal buildings, number one. We came

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and testified in support of that. It's a good idea.

Number two, we testified strongly in support and it was this Council collectively that said we needed to do a much better job collecting delinquent tax revenues. We testified last year strongly in support.

And, third, I heard something that Paul Levy said as one of his options this morning, but then there wasn't too much discussion about it. One option to somehow find some further reductions carefully in expenditures at the City level. I think Paul said if you cut 5 percent, that would figure out a way to pay for further wage tax reductions now to further jump-start the economy and create more jobs. I'm not saying that would be easy. I suspect that would be difficult, but we think also it's an idea that has merit, to work collectively together with you to see are there not ways to find some further careful

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reductions in City spending as a way to free up some funding and revenue to pay for wage tax reductions.

COUNCILMAN SQUILLA: And I would agree with you. It always seems like the easiest way to get things is either to raise taxes or cut spending. I'm looking a little differently, because we could do both, and it's something that Council and the Administration has been doing along, but we want to raise revenue. And beside -- I know you have supported those two initiatives. One was by collecting delinquent taxes and one by signage on publicly owned buildings, but are there other resources that we could tap into? Is there something that Council is not looking at that maybe could bring additional dollars into the City, things like that? Because a lot of ideas we get too from Council come from the general public, come from people like yourselves and your organizations. So we're looking for those type of ideas

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also, because we want to grow the City, realizing that the better the City has and the more workforce we have, the higher tax base we'll have and, therefore, we'll have additional revenue to do a lot of the social services and things that we need in the City. So it's a challenge not only to us, but also a challenge to the organizations that are here today. And you don't have to have ideas today, but if you do have them, that would be great to forward them up through us, through Council, through the Administration, and I think then we would be going in the right direction.

MR. GRACE: Thank you.

COUNCILWOMAN TASCO: Thank you very much.

MR. GRACE: Thank you, Madam Chair.

COUNCILWOMAN TASCO: That adjourns -- Mr. Dubow, I hear you want to make some comments. The floor is open to you.

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MR. DUBOW: I think I just wanted to reemphasize the cost of the bill, the $115 million over five years, and the costs are front-loaded. So it would present a significant challenge for us in trying to balance our plan. The first year it's about $40 million, which obviously is a big hit to our Five Year Plan.

COUNCILWOMAN TASCO: Okay. Thank you.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

We've heard a lot of good testimony today. Councilman Oh has done good work on this issue. There's been a lot of work done on this issue, dating back to the Tax Reform Commission in the early 2000's, the Mayor's Task Force on Tax Competitiveness, the Jobs Commission, which I referenced.

The particular idea that was

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raised today about looking at increasing revenue from commercial and industrial properties is not a new idea. It's an idea which I actually talked with Paul Levy about two or three years ago. It's an idea which I've talked to Steve Bradley about directly. It's an idea already supported by all the Chambers of Commerce through the Jobs Commission.

There is only one responsible way to do tax reform, and that is to do it as comprehensive tax reform, as Professor Inman said. You have to take property taxes, business taxes, and wage taxes in consideration at the same time. That's what the Tax Reform Commission did. That's what the Mayor's Task force did. That's what the Jobs Commission did. So you cannot piecemeal this. It's irresponsible to piecemeal this.

The truth of the matter is, we are for business and wage tax reform. We are for doing something about mobile taxes. That's evidenced by the $360

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million of business and wage tax cuts already within the Five Year Plan.

I left here to go down to my office to take care of something for a second, got into a short meeting with Paul Levy and Steve Bradley and others, who want to continue work on this issue and go to Harrisburg as united voices, as was testified to by Joe Grace from the Chamber.

This is a monumental feat to change the State Constitution, but which is achievable. It will take approval in two different sessions and a vote by the voters, but it's something that we can go for and achieve. It's going to take some time. But as long as we commit to that publicly, there's no reason to push a bill out of Committee when no one testified here today that said that they agreed with the schedule. No one testified here today and said that wage taxes should be looked at separate from business tax and property taxes. It's

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the wrong thing to do in terms of tax policy not to go at it comprehensively. So if this Committee does call for a vote, which we should not, I have to vote no, because that's the responsible thing to do. It's not because I'm against wage taxes. I voted for wage tax decreases. I voted for business tax decreases. I voted for business tax credits. So this is not about where we stand on the issue. This Council does not make a stronger statement by doing something that is fundamentally wrong, which is piecemeal tax reform.

Thank you.

COUNCILWOMAN TASCO: The Chair recognizes Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam Chair.

I certainly agree with Councilman Goode's statements, and I think I also want to add, I think it was you that asked the question of Mr. Levy and the panel that was there, are you

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looking to have a vote on this bill today, and I thought they all said no. So, I mean, even the advocates for the issue are not looking to move it today.

I think we all agree, as Councilman Goode said, that we want to have -- that we want to look at this and certainly the reduction in wage taxes is something we all would like to do, but it's going to be a long process, and I just don't think moving the bill today makes sense or is consistent with all the things that we have to do. So I would certainly urge the Committee to hold the bill today.

Thank you.

COUNCILWOMAN TASCO: Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Madam Chairwoman.

I will only add a context. When I reflect on other bills that we've passed that only involved in many ways two constituents, where we look at the

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merger of Parks and Recreation, that took eight years to do, eight years to do with just two primary constituencies involved, City government and Parks and Recreation. This is an issue that has a multitude of layers and constituencies that all have to be factored in and policy decisions, wage tax versus property tax, et cetera.

So given that -- and that only happened because of a task force of individuals meeting to see how we do that merger in a comprehensive fashion. So with that as a back story, I would be supportive of holding the bill in Committee for all the reasons stated by my colleagues and that as well.

Thank you, Madam Chairwoman.

COUNCILWOMAN TASCO: The Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Madam Chair.

I hear what a lot of members on the Committee are saying, and what I understand is what we did in the past and

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what we do in the future are two different things. But when we raised and increased taxes, whether it was a specific tax, a real estate tax or whether it was U&O tax, we did that individually also. That was not part of a comprehensive plan. So we looked to raise taxes on an individual at a time where we needed additional revenue, and we did do that.

COUNCILMAN GOODE: No, we did not.

COUNCILMAN SQUILLA: We did not raise U&O tax?

COUNCILMAN GOODE: I'll wait for you to finish.

COUNCILMAN SQUILLA: Okay.

So what I think is, we have an opportunity here to do comprehensive tax planning, but we also have an opportunity to show the City, to show the state, and to show the people around this area that we are serious about attracting new business here in the City of Philadelphia

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and we are serious about having local people who live in the City of Philadelphia get a little bit of a break. And I think we need to weigh in on that, and if this vote was taken today, I would vote in favor of it. And I would like to see that if we do vote on this, that people take into consideration all the aspects of the growth of the City of Philadelphia and then also challenges us to come in with additional revenue and can still work to do tax reform in a broad base that could actually even make the City even better.

COUNCILWOMAN TASCO: Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

The truth of the matter is, when we consider tax bills, we are not allowed to raise or lower taxes within the current fiscal year by law. And so we consider tax bills for the following fiscal year, which we're actually doing

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here and which we usually do as part of the budget process, which is more appropriate. Because I did not believe this bill was going to move out of Committee, I didn't raise that issue. But we should not be considering this bill outside of the budget process at all, particularly with a $50 million price tag. And the truth of the matter is, when we do consider the budget and the Five Year Plan, we consider a number of different tax bills at the same time. So we do consider property taxes, business taxes, and wage taxes comprehensively as part of the budget process, and that's the way to do it.

Thank you.

COUNCILWOMAN TASCO: Councilman Oh.

COUNCILMAN OH: Thank you very much. Could I first say that I truly appreciate and commend this Committee. As the sponsor of the bill, I'd like to point out that each person here has

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agreed with the main purpose of creating jobs, moving the economy forward, and we may have different opinions on that, but that's the important thing.

Entertaining this conversation in this hearing today, Chairwoman, I appreciate you scheduling this, because we've had some very serious people here talk about an impactful opportunity. What I would like to say publicly is that I would request that this bill be moved out. Of course, that is up to the Committee. If it were moved out, I would put it on the Suspension Calendar, work with the Administration, our witnesses, and Councilmembers to establish a task force so we could be comprehensive.

My concern is that, one, the Mayor's Administration -- I think it was Mayor Street in 2003, Mayor Nutter in 2009 -- basically made these recommendations. There has been nothing that has moved forward for us to consider in the budget. Therefore, as a

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legislative body, we at times put legislation forward to implement what has been identified by the business community, the Administration, financial experts, and others, and one of them is in piecemeal this bill. However, this bill would signify to Harrisburg -- and as I said, I'm saying that because I spoke with Speaker of the House Michael Turzai on the issue of would we get new revenues to back up some of the things that we do. If we signal -- if we go ahead to begin to do a wage tax reduction, which is important to the state because it produces state revenues, would we be able to see some additional support in terms of money that does not come to Philadelphia such as, for example, the taxi medallions would go to the state, but whether that money could be set aside.

I believe a bill makes things happen. Holding the conversation I don't think makes it happen, at least

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historically. It hasn't moved forward since the time of these committees and commissions have been held. We can put another task force together, but I think a centerpiece has to be something that we as a legislative body move forward. And with that, that's my request.

Thank you.

COUNCILWOMAN TASCO: Thank you.

Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

We have actually moved on the Tax Reform Commission recommendation of 2003. We've actually moved on recommendations from the Mayor's task force. We have actually moved on recommendations from the Jobs Commission with real legislation, whether some members missed it or not.

Furthermore, the Greater Philadelphia Chamber of Commerce, the Center City District, any number of people who came here to talk here about

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comprehensive tax reform said that this should not be done today. That's not the purpose of their talking about comprehensive tax reform today. The truth of the matter is that we should go to Harrisburg, try to achieve it the right way, with a unified voice, not one-on-one conversations with whoever is in leadership up in Harrisburg, but as a Council, as a Mayor, whether this Mayor or the next Mayor, or the new Council, but take on this issue for real, which we have done, and because we have taken it on since the Tax Reform Commission, since the Mayor's task force, since the Jobs Commission and we have lowered business and wage taxes and there are $360 million worth of business and wage tax cuts within this Five Year Plan and we're talking about going further, but we're talking about paying for it in the right way. One of the recommendations was to raise property taxes across the board from 1.34 percent to 1.5 percent for

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everybody. The compromise that was made, which was not agreed to years ago when I originally talked to Paul Levy and others, was that the way to do it is to have business and commercial property owners agree to it, which now they are agreeing to it. They're ready to move forward. So let's move forward in the right way.

Thank you.

COUNCILMAN OH: Could I respond to that, Chairwoman?

COUNCILWOMAN TASCO: Yes.

COUNCILMAN OH: Thank you. I don't disagree with Councilman Goode. I agree with him. This action does not pass this bill. It just moves it out of Committee for consideration of the Council body as a whole. It doesn't mean it's going to pass. It just means it moves from Committee to the Council body, from which we now have a bill that could be voted on, which means we can have that overall conversation with Harrisburg and others. But the bill, in order to be relevant to this conversation or to signal that, from our end we have to produce legislation that is something that could be voted on.

COUNCILMAN GOODE: Mr. Dubow.

COUNCILWOMAN TASCO: I call the people to the Chair.

COUNCILMAN GOODE: Sorry, Madam Chair.

COUNCILWOMAN TASCO: Mr. Dubow.

COUNCILMAN GOODE: The Administration will be interested in introducing a wage tax bill to add an additional year?

MR. DUBOW: Yes. That's correct.

COUNCILMAN GOODE: So there will be a wage tax bill that will be introduced as part of the budget process?

MR. DUBOW: That is correct.

COUNCILMAN GOODE: So that's the vehicle for discussion as well?

MR. DUBOW: Yes.

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COUNCILMAN GOODE: Thank you.

COUNCILWOMAN TASCO: All right. That said, I think we will move to hold this bill. Thank you very much.

MR. DUBOW: Thank you.

COUNCILWOMAN TASCO: All in favor?

(Aye.)

COUNCILWOMAN TASCO: Any opposition?

COUNCILMAN SQUILLA: Aye.

COUNCILWOMAN TASCO: Mr. Squilla voted not to hold it. Thank you.

I appreciate it. The discussion has been interesting, and I think we have a lot to look forward to as we move to address the whole issue of taxes, real estate as well as wage and other taxes for the City.

Thank the Committee and thank you, Councilman Oh, for your fight. We appreciate it. We love you. Thank you.

COUNCILMAN OH: Thank you.

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Thank you very much.

(Committee on Finance concluded at 12:15 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter, and that this is a true and correct transcript of same.

MICHELE L. MURPHY
RPR-Notary Public

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