



City of Philadelphia

City Council
Chief Clerk's Office
402 City Hall
Philadelphia, PA 19107

BILL NO. 190319

Introduced April 25, 2019

Councilmembers O'Neill, Domb, Henon, Taubenberger, Bass, Blackwell and Johnson

**Referred to the
Committee of the Whole**

AN ORDINANCE

Amending Section 19-1801 of The Philadelphia Code, entitled "Authorization of Tax," to further authorize the Board of Education of the School District of Philadelphia to impose a tax on real estate within the City of Philadelphia; to specify tax rates for tax year 2020 and thereafter; by providing that each such tax year, the tax imposed by the Board of Education shall be at a rate set by Council by ordinance, which shall consist of a "revenue neutral" tax rate intended to produce approximately the same level of tax revenues as were generated during the prior tax year, and any specified adjustment to the revenue neutral rate as deemed necessary that tax year; and by making technical amendments; all under certain terms and conditions.

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. Chapter 19-1800 of The Philadelphia Code is hereby amended to read as follows:

CHAPTER 19-1800. SCHOOL TAX AUTHORIZATION

§ 19-1801. Authorization of Tax.

(1) The Board of Education of The School District of Philadelphia is authorized to impose an annual tax for school district purposes on real estate within the City of Philadelphia for the years 1964 through [2018] 2020 and thereafter.

* * *

(3) For tax year 2014 and thereafter:

(a.1) For tax years 2014 and 2015, the Tax Rate shall be 0.7382%, or seventy-three and eighty-two one hundredths cents (\$0.7382) per one hundred dollars (\$100).

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(a.2) For tax year 2016 [and thereafter] *through and including tax year 2019*, the Tax Rate shall be 0.7681%, or seventy-six and eighty-one hundredths cents per one hundred dollars (\$100) of Net Taxable Value.

(a.3) *For tax year 2020 and thereafter, the Tax Rate shall be as set forth in subsection 19-1801(5).*

(b) The tax imposed by the Board of Education shall be calculated, for all taxable real estate, by multiplying the Tax Rate by the Net Taxable Value of the property. Net Taxable Value shall be calculated by subtracting the amount of Homestead Exclusion, if any, provided for in § 19-1301.1, from the assessed value of the property returned by the OPA in the year immediately preceding the tax year, but in no event may Net Taxable Value be less than zero.

(.1) OPA stands for the Office of Property Assessment.

(4) *Tax Rate Methodology for tax year 2020 and thereafter.*

(a) *This subsection 19-1801(4) sets forth the methodology that will be used to calculate real estate tax rates for tax year 2020 and thereafter. The actual tax rates are listed in subsection 19-1801(5). If there is any inconsistency between the actual rates listed in subsection 19-1801(5) and the methodology set forth in this subsection, the actual rates set forth in subsection 19-1801(5) shall govern.*

(b) *General Methodology. Tax rates shall be determined as follows:*

(i) *A “revenue neutral” rate shall be determined. The revenue neutral rate is the rate that will produce approximately the same level of tax revenues as were generated during the prior tax year.*

(ii) *The revenue neutral rate may then be adjusted, depending on revenue needs in each tax year. Such adjustment may be an increase or decrease to the revenue neutral rate.*

(iii) *For each tax year, Council shall, by ordinance, set forth the revenue neutral rate, the amount (if any) by which such rate will be adjusted, and the resulting actual tax rate for the tax year.*

(c) *Revenue neutral rate. For each tax year, the “revenue neutral” rate shall be calculated as follows:*

(i) *As required by law, the Office of Property Assessment (“OPA”) certifies the total taxable assessed value of all property in the City in March of each year. Those assessed*

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values are used to determine real estate taxes for the following tax year. For example, real estate taxes for Tax Year 2020 will be based on assessed values as certified by OPA in March 2019.

(ii) To ensure revenue neutrality, the tax rate must decrease if total tax assessments increase, and similarly, tax rates must increase if total tax assessments decrease. The amount of the tax rate decrease (or increase) required to achieve revenue neutrality will be determined by the ratio of the total taxable assessed value used in the prior tax year to the total taxable assessed value that will be used for the new tax year.

(iii) Accordingly, for each tax year, the “revenue neutral” rate is the tax rate for the prior tax year, multiplied by the ratio of the total taxable assessed value used in the prior tax year to the total taxable assessed value that will be used for the new tax year. The revenue neutral rate shall be rounded to the nearest ten-thousandth percent (.0001%, or \$.0001 per hundred dollars (\$100)).

(d) Adjusting the revenue neutral rate. When the Mayor submits the proposed annual operating budget to Council, the Mayor shall also advise Council of the adjustment, if any, the Mayor recommends be made to the revenue neutral rate, together with an explanation of why the City’s revenue needs justify such recommendation. Council may adopt the Mayor’s recommended adjustment, or adopt any other adjustment.

(5) Tax Rates. The following tax rates shall be effective for the indicated tax year, and shall control over any inconsistent language set forth in subsection 19-1801(4).

(a) Tax Year 2020.

(i) The Revenue Neutral Rate.

(A) The total taxable assessed value of all property in the City for tax year 2019, as certified by OPA in March of 2018, was \$115,555,554,707.00.

(B) The total taxable assessed value of all property in the City for tax year 2020, as certified by OPA in March of 2019, was \$124,169,629,153.00.

(C) The ratio of the total taxable assessed value for tax year 2019 to the total taxable assessed value for tax year 2020 is approximately .930627.

(D) The tax rate for tax year 2019 was 0.7681%, or seventy-six and eighty-one hundredths cents (\$0.7681) per hundred dollars (\$100).

(E) Multiplying the tax rate for tax year 2019 by the ratio set forth in subsection 19-1801(5)(a)(i)(C), and rounding that product to the nearest ten-thousandth percent, results in a revenue neutral tax rate of 0.7148%, or seventy-one and forty-eight hundredths cents (\$0.7148) per hundred dollars (\$100).

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(ii) *Adjustment to the Revenue Neutral Rate. There shall be no adjustment to the revenue neutral rate for tax year 2020.*

(iii) *The Tax Rate for tax year 2020 is 0.7148%, or seventy-one and forty-eight hundredths cents (\$0.7148) per hundred dollars (\$100).*

(b) *Tax Year 2021 and thereafter.*

(i) *Unless otherwise provided by ordinance, the Tax Rate for tax year 2021 and thereafter shall be the Tax Rate set forth for tax year 2020.*

[(3) If the Commonwealth of Pennsylvania fails to provide legislation enabling City Council to enact Bill No. 131, introduced April 26, 1984, providing for the imposition of Business Privilege Taxes for Fiscal Year 1985, or if City Council fails to adopt Bill No. 131 for Fiscal Year 1985, the rate of tax shall be three (3) dollars and seventy-five and one-half (75.5) cents for the years 1985 through 1988.

(4) In the event that a court of competent jurisdiction enters a final order from which all appeals have been exhausted, determining that City Council lacked the authority to impose this rate for the year 1989, the rate shall revert to three dollars and fifty and one-half cents (\$3.505) for the year 1989.]

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Explanation:

[Brackets] indicate matter deleted.

Italics indicate new matter added.