



City of Philadelphia

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

BILL NO. 030181

Introduced March 27, 2003

Councilmember Nutter

**Referred to the
Committee on Finance**

AN ORDINANCE

Amending Chapter 19-1500 of The Philadelphia Code, entitled "Wage and Net Profits Tax," by decreasing the rates of the tax, under certain terms and conditions.

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. Section 19-1502 of The Philadelphia Code is hereby amended to read as follows:

§19-1502. Imposition of Tax.

(1) Tax On Salaries, Wages, Commissions And Other Compensation.

(a) Residents. An annual tax on salaries, wages, commissions and other compensation earned by residents of Philadelphia is imposed for general revenue purposes for the following periods at the following rates:

* * *

July 1, 2002 through June 30, 2003	3.00%
<i>July 1, 2003 through June 30, 2004</i>	<i>[insert rate]</i>
July 1, [2003] 2004 through June 30, 2007	The rate provided under §19-1502(3)
July 1, 2007 and thereafter	The rate at which the tax was imposed on June 30, 2007

(b) Non-Residents. An annual tax on salaries, wages, commissions and other compensation earned by non-residents of Philadelphia for work done or services

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performed or rendered in Philadelphia is imposed for general revenue purposes for the following periods at the following rates:

* * *

July 1, 2002 through June 30, 2003	3.9127%
<i>July 1, 2003 through June 30, 2004</i>	<i>[insert rate]</i>
July 1, [2003] 2004 through June 30, 2007	The rate provided under §19-1502(3)
July 1, 2007 and thereafter	The rate at which the tax was imposed on June 30, 2007

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(2) Tax On Net Profits Earned In Businesses, Professions Or Other Activities.

(a) Residents. An annual tax on the net profits earned in businesses, professions or other activities conducted by residents of Philadelphia is imposed for general revenue purposes for the following periods at the following rates:

* * *

January 1, 2002 through December 31, 2002	3.00%
<i>January 1, 2003 through December 31, 2003</i>	<i>[insert rate]</i>
[January 1, 2003] <i>January 1, 2004</i> through December 31, 2006	The rate provided under §19-1502(3)
On and after January 1, 2007	The rate at which the tax was imposed on December 31, 2006

(b) An annual tax on the net profits earned in businesses, professions or other activities conducted in Philadelphia by non-residents is imposed for general revenue purposes for the following periods at the following rates:

* * *

January 1, 2002 through December 31, 2002	3.9127%
<i>January 1, 2003 through December 31, 2003</i>	<i>[insert rate]</i>
[January 1, 2003] <i>January 1, 2004</i> through December 31, 2006	The rate provided under §19-1502(3)

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On and after January 1, 2007	The rate at which the tax was imposed on December 31, 2006
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(3) Rate reductions on and after January 1, [2003] 2004.

(a) Definitions.

(.1) Certification Date. March 1, [2003] 2004 and each March 1 thereafter until and including March 1, 2006.

(.2) Prior Year. The calendar year that ends December 31 immediately prior to a Certification Date.

(.3) Base Year. The calendar year that immediately precedes the Prior Year.

(.4) Total Resident Tax Rate. The rate at which taxes are imposed on residents under this Section, plus the rate at which taxes are imposed under §19-2803 (relating to the annual tax on wages and net profit to provide revenues for the purposes of the Pennsylvania Intergovernmental Cooperation Authority).

(.5) Wage Tax Receipts. The total revenues the City receives from taxes imposed under this Section and from taxes imposed under §19-2803.

(b) Calculation of Amount of Annual Tax Rate Reductions.

(.1) By each Certification Date, the Revenue Department shall certify to the Mayor and to the Council in writing the amount of Wage Tax Receipts for the Prior Year and for the Base Year.

(.2) If the Wage Tax Receipts certified for the Prior Year are at least 3.5% greater than Wage Tax Receipts certified for the Base Year, then the "Reduction Amount" shall equal thirteen one-hundredths of one percent (0.13%); otherwise, the "Reduction Amount" shall equal three hundred seventy-five ten-thousandths of one percent (0.0375%).

(.3) The rate for the tax imposed on residents under §19-1502(1)(a) shall be reduced by the Reduction Amount, effective on the July 1 that immediately follows the Certification Date, and the rate for the tax imposed on residents

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under §19-1502(2)(a) shall be reduced by the Reduction Amount, effective on the January 1 that immediately precedes the Certification Date. For example, if the Reduction Amount calculated for the March 1, [2003] 2004 Certification Date were 0.0375%, then the applicable tax rates would be reduced from [3.0% to 2.9625%] *[insert]*. If the Reduction Amount calculated the next year (for the March 1, [2004] 2005 Certification Date) were 0.13%, then the applicable tax rates would be further reduced, from [2.9625% to 2.8325%] *[insert]*.

(.4) The rate for the tax imposed on non-residents under §19-1502(1)(b) shall be reduced by the same percentage reduction by which the Total Resident Tax Rate is reduced as a result of the rate reduction provided by §19-1502(3)(b)(.3), effective on the July 1 that immediately follows the Certification Date, and the rate for the tax imposed on non-residents under §19-1502(2)(b) shall be reduced by the same amount, effective on the January 1 that immediately precedes the Certification Date. Such rates shall be rounded to the nearest ten-thousandth percent. Using the example given in the prior subsection (a Reduction Amount of 0.0375% the first year and 0.13% the second year), non-resident rates would be reduced from [3.9127% to 3.8801%] *[insert]* the first year (approximately the same percentage reduction residents will realize when the Total Resident Tax Rate is reduced from [4.5% to 4.4625%] *[insert]*), and non-resident rates would be reduced the second year from [3.8801% to 3.7671%] *[insert]* (approximately the same percentage reduction residents would realize when the Total Resident Tax Rate was reduced from [4.4625% to 4.3325%] *[insert]*).

(c) By April 15 of each year, the Revenue Department shall publish a notice in at least two newspapers of general circulation within the City, setting forth its most recent certification under §19-1502(3)(b)(.1) and an explanation as to the effect of such certification on the rates of the wage and net profits tax on residents and non-residents.

Explanation:

[Brackets] indicates matter deleted.
Italics indicate new matter added.