



City of Philadelphia

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

BILL NO. 040261

Introduced March 18, 2004

Councilmember Blackwell

**Referred to the
Committee of the Whole**

AN ORDINANCE

Amending Chapter 19-1500 of The Philadelphia Code, entitled "Wage and Net Profits Tax," by establishing certain tax rates, amending the effective dates of various tax rate changes, and by amending the definition of Excess Growth Rate, all under certain terms and conditions.

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. Section 19-1502 of The Philadelphia Code, entitled "Imposition of Tax," 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 December 31, 2004</i>	<i>2.9625%</i>
<i>January 1, 2005 through December 31, 2005</i>	<i>2.8655%</i>
[July 1, 2003] <i>January 1, 2006</i> through [June 30] <i>December 31, 2007</i>	The rate provided under §19-1502(3)
[July 1, 2007] <i>January 1, 2008</i> and thereafter	The rate at which the tax was imposed on [June 30] <i>December 31, 2007</i>

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(b) Non-Residents. An annual tax on salaries, wages, commissions and other compensation earned by non-residents of Philadelphia for work done or services 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 December 31, 2004</i>	<i>3.8801%</i>
<i>January 1, 2005 through December 31, 2005</i>	<i>3.8475%</i>
[July 1, 2003] <i>January 1, 2006</i> through [June 30] <i>December 31, 2007</i>	The rate provided under §19-1502(3)
[July 1, 2007] <i>January 1, 2008</i> and thereafter	The rate at which the tax was imposed on [June 30] <i>December 31, 2007</i>

(c) The tax imposed under §19-1502(1) (a) and (b) shall relate to and be imposed upon salaries, wages, commissions, and other compensation paid by an employer or on his behalf to any person who is employed by or renders services to him.

(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, 2004</i>	<i>2.9625%</i>
<i>January 1, 2005 through December 31, 2005</i>	<i>2.8655%</i>
January 1, [2003] <i>2006</i> through December 31, [2006] <i>2007</i>	The rate provided under §19-1502(3)
On and after January 1, [2007] <i>2008</i>	The rate at which the tax was imposed on December 31, [2006] <i>2007</i>

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(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, 2004</i>	<i>3.8801%</i>
<i>January 1, 2005 through December 31, 2005</i>	<i>3.8475%</i>
January 1, [2003] 2006 through December 31, [2006] 2007	The rate provided under §19-1502(3)
On and after January 1, [2007] 2008	The rate at which the tax was imposed on December 31, [2006] 2007

* * *

(3) Rate reductions on and after January 1, [2003] 2006.

(a) Definitions.

(.1) Certification Date. March 1, [2003] 2005 and each March 1 thereafter until and including March 1, 2006.

* * *

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

* * *

(.3) A Further Reduction Amount shall be calculated as follows:

(A) An Excess Growth Amount is first calculated by subtracting from City Real Estate Tax Receipts for the Prior Year the product formed by multiplying City Real Estate Tax Receipts for the Base Year by [1.02;] *1.04*. [provided, however, that if the Base Year is 2002, City Real Estate Tax Receipts for the Base Year shall be the amount certified pursuant to § 19-1502(3)(b)(.1)(C) minus twenty-five million dollars (\$25,000,000).] Notwithstanding any provision to the contrary, if the

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Excess Growth Amount does not exceed zero, then the Further Reduction Amount shall equal zero.

* * *

(.4) (A) The rate for the tax imposed on residents under §19-1502(1)(a) and §19-1502(2)(a) shall be reduced by the Reduction Amount, effective on the [July] *January* 1 that immediately follows the Certification Date[, and the rate for the tax imposed on residents 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 Certification Date were 0.0375%, then the applicable tax rates would be reduced from 3.0% to 2.9625%. If the Reduction Amount calculated the next year (for the March 1, 2004 Certification Date) were 0.13%, then the applicable tax rates would be further reduced, from 2.9625% to 2.8325%. (B) In like manner, the rate for the tax imposed on residents under §19-1502(1)(a) and §19-1502(2)(a) shall be further reduced by the Further Reduction Amount, effective on the [July] *January* 1 that immediately follows the Certification Date[, and the rate for the tax imposed on residents under §19-1502(2)(a) shall be further reduced by the Further Reduction Amount, effective on the January 1 that immediately precedes the Certification Date]. The rate, when expressed as a percentage, shall be rounded to the nearest ten-thousandth (for example, 2.9625%).

(.5) The rate for the tax imposed on non-residents under §19-1502(1)(b) and § 19-1502(2)(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)(.4)(A), effective on the [July] *January* 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% 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%), and non-resident rates would be reduced the second year from 3.8801% to 3.7671% (approximately the same percentage reduction residents would realize when the Total Resident Tax Rate was reduced from 4.4625% to 4.3325%).

* * *

Explanation:

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