

Legislation Text

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Amending Section 19-1502 of The Philadelphia Code, entitled "Imposition of Tax," by providing for reductions in the rate of wage and net profits 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 amended to read as follows:

§19-1502. Imposition of Tax.

* * *

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

(a) Definitions.

(.1) Certification Date. March 1, 2003 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.

(.6) *Resident Wage Tax Receipts. The total revenues the City receives from taxes imposed under subsections (1)(a) and (2)(a) of this Section (relating to residents) and under §19-2803.*

(.7) *City Real Estate Tax Receipts. The total revenues the City receives from taxes imposed under §19-1301 (entitled "Real Estate Taxes"). City Real Estate Tax Receipts shall be attributable to a given year if they were due in such year and collected on or before the last day of such year.*

(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 (A) the amount of Wage Tax Receipts for the Prior Year and for the Base Year;

(B) the amount of Resident Wage Tax Receipts for the Prior Year and for the Base Year; and (C) the amount of City Real Estate 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) *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; 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 Excess Growth Amount does not exceed zero, then the Further Reduction Amount shall equal zero.

(B) Total Resident Income for the Prior Year is then calculated by determining the quotient, the numerator of which is Resident Wage Tax Receipts for the Prior Year, and the denominator of which is the Total Resident Tax Rate in effect on December 31 of the Prior Year.

(C) The Further Reduction Amount shall equal the quotient, the numerator of which is the Excess Growth Amount and the denominator of which is Total Resident Income for the Prior Year.

[(.3)] (.4) (A) 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 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) shall be further reduced by the Further Reduction Amount, effective on the July 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%.*

[(.4)] (.5) 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)] §19-1502(3)(b)(.4)(A), 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% 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-residents 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%).

(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] *certifications* 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.

SECTION 2. This bill shall be effective with respect to the rate of taxation for the fiscal year beginning July 1, 2003, and all years thereafter; and shall be effective with respect to the certifications required by section 19-1502(3)(b)(.1) beginning March 1, 2003.

Explanation:

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