



City of Philadelphia

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

Legislation Text

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TO THE PRESIDENT AND MEMBERS OF
THE COUNCIL OF THE CITY OF PHILADELPHIA:

For the reasons set forth below, I am returning to your Honorable Body without my signature Bill No. 130591 and Bill No. 130592, both of which passed Council at its session on October 17, 2013.

These two Bills are closely linked. Taken together, they provide that commercial property taxpayers who appeal their current year property assessment would not have to pay the corresponding property or use and occupancy tax amount for Tax Year 2014, but would instead pay the prior year's tax liability pending the appeal. The Bills also propose that taxpayers would not have to pay any interest or penalties on the amount of the tax that is implicated by the appeal. Bill No. 130591 would apply to property tax on commercial real estate—essentially extending to the commercial sphere the tolling offered to residential property owners under Bill No. 130308-A, which recently became law. Bill No. 130592 would apply to the Use and Occupancy tax.

As my Administration has made clear in its testimony on these Bills, and on Bill No. 130308-A, every taxpayer with a legitimate reason to appeal an assessment *must* be able to do so. This is particularly so as we adjust to new assessments under AVI. By implementing the first level review process, and ensuring that the BRT is appropriately resourced, we have made every effort to ensure that every taxpayer who wants to challenge his or her assessment gets heard.

The only group that ultimately saves money under this legislation are those who bring appeals that ultimately fail—these litigants will not be required to pay interest and penalties on taxes for which they were liable, but declined to pay when due. This may be why tolling interest and penalties in this manner does not appear to be common practice. For instance, New York, Los Angeles, Chicago, Boston, Baltimore, and Nassau County (Long Island) all require full payment of a tax bill pending appeal to avoid interest and penalties.

Setting aside the merits of the legislation as tax policy, it is, at this juncture, chiefly concern for School District revenues that has led my Administration to refrain from supporting these Bills. By delaying payment of increased property or use and occupancy tax by anyone who appeals an assessment, these Bills will delay revenues to the School District. A representative of the District testified that these Bills could reduce District revenues by \$7 to \$10 million in FY 2014. I do not believe this is preferable in a year when District finances are such a source of concern.

I recognize that these Bills attempt to assist taxpayers during the transition to AVI, which is a worthy goal. Furthermore, the Bills apply to Tax Year 2014 only, and do not represent a long-term change in policy. Therefore, I am returning Bill Nos. 130591 and 130592 unsigned.

Respectfully,

Michael A. Nutter
Mayor