

Legislation Text

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October 6, 2011

**To The President and Members of
The Council of the City of Philadelphia:**

For the following reasons, I am returning herewith to your Honorable Body as disapproved Bill No. 110181, which was passed by Council at its session on September 15, 2011.

Bill 110181 would reduce parking tax rates from 20% to 17% over three years beginning in Fiscal Year 2014. This proposal would cost the general fund about \$24 million over the course of the FY12-FY16 Five Year Plan approved by PICA this past summer. That reduction is equal to more than two-thirds of the Plan's proposed cut in the gross receipts portion of the business privilege tax and well over half of the total business tax reduction set forth in the Plan.

This is the wrong time to adopt new tax breaks, particularly for a single industry. In July and August alone, combined City sales and wage tax collections are down \$10 million. If that weakness in tax collections continues, we could face a \$60 million fall off in just two taxes in the current fiscal year. That weakness in revenues would create a very significant challenge for our five year plan and the reductions in the parking tax would further exacerbate those potential problems. Given the ongoing weakness in the national economy and the City's revenues, we simply cannot provide this reduction for the parking industry in addition to the wage and business tax reductions already included in the Plan.

I have a strong record on the need to reduce the City's business taxes. But we of course also need to be mindful of our economic situation. Moreover, to the extent we can afford tax reductions, the first priority should be broad-based cuts that help all Philadelphia business, and not just one special interest group.

I have made a commitment to representatives of the parking industry to reevaluate parking tax rates for the FY14, when we expect to be in the position to restart wage and business tax cuts, as set forth in the Five Year Plan. Until that time, I see no reason to reduce our ability to provide broader-based wage and business tax reductions solely to make this particular industry more profitable.

For the foregoing reasons, I am returning to you disapproved Bill No. 110181.

Respectfully,

Michael A. Nutter,
Mayor