

Legislation Text

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Authorizing the Committees on Appropriations and Finance to hold hearings to consider an independent analysis of the Business Income and Receipts Tax structure and rates.

WHEREAS, The City of Philadelphia is among the few major American cities that impose a business tax against both net income and gross receipts, which has proven difficult to predict and assess since the 1990s, when the City began a program of planned business tax reductions; and

WHEREAS, In 2010, Councilmembers Maria D. Quiñones Sánchez and Bill Green introduced a revenue-neutral proposal to phase-out the net profits portion of the Business Income and Receipts Tax, upon evidence that a receipts-only tax would incentivize businesses to locate and headquarter in the City of Philadelphia, while preventing non-local businesses from evading net profits liabilities. In 2013, City Council enacted part of this tax reform package, including a \$100,000 Small Business Exemption for 50,000 locally owned entities, a Single Sales Factor for manufacturers, a Jump Start Credit for New Businesses, and a Sustainable Business Tax Credit. The last two reforms were expanded in 2016, but the rest of the package needs advancement; and

WHEREAS, In 2020, the City of Philadelphia proposed a COVID-19 recovery budget, within a Five-Year Plan for Fiscal Years 2021 through 2025 that projected a particularly sharp 16.00% decrease in next year's base growth rate for the Business Income and Receipts Tax. The Revised Budget in Brief for Fiscal Year 2021 explains: "this historically volatile tax remains hard to project from year to year, particularly with impact of recent federal tax changes that impact the size of the Business Income and Receipts Tax base not fully understood yet"; and

WHEREAS, In the wake of an international pandemic, a simple, predictable, and Philadelphia-friendly business tax structure is essential to attracting, growing, and retaining local companies that are required to create family-sustaining jobs in our neighborhoods; now, therefore, be it

RESOLVED, That the City Council of Philadelphia's Committees on Appropriations and Finance are authorized to consider an independent structural analysis of the Business Income and Receipts Tax.