Legislation Text

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Authorizing the Committee on Finance to hold hearings examining the current tax structure and cost of government in the City of Philadelphia and how to reform both to increase the City's regional and national economic competiveness, stimulate job growth, and attract and retain residents, and, in furtherance of such investigation, authorizing the issuance of subpoenas to compel the attendance of witnesses and the production of documents to the full extent authorized under Section 2-401 of the Home Rule Charter.

WHEREAS, Over the past decade, multiple blue-ribbon panels have conducted studies of Philadelphia's tax structure and offered a series of recommendations, including reforming the City's property assessment system, lowering the overall tax burden, and shifting the tax burden from so-called "mobile" to "immobile" tax bases; and

WHEREAS, The "mobile" to "immobile" shift has been framed primarily as a shift away from business and wage taxes and toward property taxes and has become accepted wisdom in some tax reform circles, despite the absence of detailed analysis of how such a shift would impact residents, real estate markets, and the City's tax base; and

WHEREAS, As this spring's discussion about the Actual Value Initiative (AVI) has made clear, dramatic reform of the City's property tax system likely holds unintended consequences, including a potentially significant shift of tax burden from commercial and industrial property owners to residential property owners; and

WHEREAS, The City's ability to buffer this shift of tax burden onto residents with a homestead exemption (should one be authorized by the state) is limited, given that the amount of exemption is capped under state law and that each dollar foregone due to the exemption is paid for by residents and business property owners alike through higher overall real estate tax rates; and

WHEREAS, The unexpectedly high tax real estate rates under discussion in Council this spring, which range from 1.6% to 1.8% and are based on assumptions about the not-yet-known aggregate value of real estate in the City, suggest significant financial pain for homeowners, some number of whom will be unable to pay their dramatically increased real estate taxes and also unable to sell their homes, having become "underwater" in their mortgages as their property values are dragged down by those same tax increases; and

WHEREAS, Also of concern is the broader impact AVI might have on sub-local real estate markets, including on neighborhoods that have been growing and are at risk of significant tax increases kicking off a downward spiral of devaluation and disinvestment, as well as on those neighborhoods that already are just a few mortgage foreclosures away from decline; and

WHEREAS, In preparing to implement AVI for 2014, and making necessary adjustments to the initial implementation proposal, extensive data analysis is needed to understand the impact of AVI on homeowners, renters, businesses, and neighborhoods, and to determine what relief measures or alternative taxation approaches (for example, a land value tax) make the most sense for the City's continued viability and growth; and

WHEREAS, This City should take this opportunity to examine not just the most responsible approach for implementing AVI, but also its broader tax structure, and to develop integrated tax reform policies that maximize the economic health of residents and employers; and

WHEREAS, This examination should also include the increasing need, due to ongoing budgetary pressures, for the operations of City government to be more efficient while still delivering the most value possible to citizens, a dual goal that can be achieved through methods including systematizing work-flow processes, increasing the use of technology, and moving toward a paperless City government, reforms that could and should be accelerated with the City's ongoing $120 million investment in technology; now, therefore, be it

RESOLVED, BY THE COUNCIL OF THE CITY OF PHILADELPHIA, That the Committee on Finance is authorizing to hold examining the current tax structure and cost of government in the City of Philadelphia and how to reform both to increase the City's regional and national economic competiveness, stimulate job growth, and attract and retain residents, and, in furtherance of such investigation, authorizing the issuance of subpoenas to compel the attendance of witnesses and the production of documents to the full extent authorized under Section 2-401 of the Home Rule Charter.

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