

Legislation Text

File #: 170584, **Version:** 0

Opposing proposed taxes for technology and computer services in Pennsylvania.

WHEREAS, Governor Tom Wolf has proposed a 6% state tax on technology and computer services such as system design, software consulting, hardware consulting, data processing, and web hosting. The proposed tax would take approximately \$330 million from Pennsylvania's technology sector in order to help close a \$3 billion deficit in the state's FY18 budget; and

WHEREAS, The proposed tax for technology and computer services is the highest business tax proposal from Governor Wolf this year; and

WHEREAS, The state tax would replace an exemption for such services that has been in place since July 1, 1997. Governor Robert P. Casey instituted the tax in 1991, and it was repealed under Governor Tom Ridge 6 years later as part of a bipartisan effort aimed at restoring Pennsylvania's ability to compete for technology jobs; and

WHEREAS, As a result of the repealed tax on technology and computer services, Pennsylvania has seen a prolonged growth of thousands of family-sustaining jobs in the technology sector; and

WHEREAS, Governor Wolf's tax rate proposal of 6% far exceeds those of the few states which impose a similar tax. Only Connecticut (1%), Hawaii (4%), New Mexico (5%), and South Dakota (4%) apply broad taxes on computer services, and these states do not have nearly as significant of a technology sector as Pennsylvania; and

WHEREAS, According to a 2015 report produced by the Philadelphia Alliance for Capital and Technologies (PACT), Ernst & Young, Ben Franklin Technology Partners of Southeastern Pennsylvania, Fairmount Partners, Comcast Corporation, CEO Council for Growth, and Select Greater Philadelphia, more than 6,000 information technology (IT) companies call Greater Philadelphia home and employ nearly 90,000 people. The report tracked over 1,000 investment rounds in IT companies in Greater Philadelphia that generated investments and exits totaling over \$11.3 billion from January 2010 to June 2015; and

WHEREAS, From 2001 to 2014, the Greater Philadelphia IT industry has grown from \$21.4 billion in sales to \$35.8 billion. This amounted to about 8.3% of the region's gross domestic product (GDP). A 6% state tax on this industry could have a dramatic chilling effect on one of the Philadelphia area's key economic drivers; and

WHEREAS, The City of Philadelphia has been a leader in technology and would suffer from a steep proposed tax on technology and computer services. The City has been a pioneer in open data, and Amplify Philly was a 2017 Official Showcase Presenter at the South by Southwest Festival in Austin, Texas. A state tax on technology and computer services would counter the progress Philadelphia has made in becoming an East Coast hub for technology; now, therefore, be it

RESOLVED, BY THE COUNCIL OF CITY OF PHILADELPHIA, That it hereby opposes proposed taxes for

technology and computer services in Pennsylvania.