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House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

MEMORANDUM

DATE: February 4, 2011

TO: All Members of the House of Representatives

FROM: Rep. Michael P. McGeehan

SUBJECT: **Co-sponsorship – Legislation prohibiting tax delinquent companies from working with the Philadelphia School District**

In the near future, I plan to introduce legislation which would amend the First Class City Home Rule Act (P.L. 665, No.155) to prohibit the School District of Philadelphia from awarding contracts to vendors with unresolved City, State or Federal tax obligations. Under the legislation, any vendor wishing to do business with the School District will be required to submit a form, once before a contract is awarded, and again at the end of the contract, certifying the business has no outstanding debt obligations. Philadelphia tax law mandates that all (in state/out-of-state) vendors who conduct business with the City must be in compliance with Philadelphia's Business Privilege Tax Regulations.

According to a 2009 audit, the Philadelphia Office of the Controller found that the school district paid \$4.3 million dollars to hundreds of vendors with outstanding tax liabilities. In addition, the audit identified 145 school district vendors, who listed Pennsylvania as their state of residence, were not licensed to do work with the City. The report also revealed that 64 *unlicensed* vendors, whose place of business was located in the City, were paid approximately \$600,000 to do work at the school district. As a result, these vendors escaped city tax payments.

With the School District facing a \$430 million budget shortfall for the next fiscal year, it's critical that those who are being paid taxpayer money to do work at the school district are paying their fair share of city taxes.

If you would like to co-sponsor this measure, please respond to this email or contact my research analyst, Eric Nelson, at 772-4029 or via e-mail at enelson@pahouse.net. Thank you.