



CITY OF PHILADELPHIA

James F. Kenney, Mayor
215 City Hall
Philadelphia, PA 19107

Darrell L. Clarke, Council President
494 City Hall
Philadelphia, PA 19107

September 29, 2016

The Honorable Bernie O'Neill
Chair, House Finance Committee
47 East Wing
P.O. Box 202029
Harrisburg, PA 17120-2029

Dear Representative O'Neill:

We are writing to express our strong opposition to House Bills 2142, 2256, and 2257. These bills could have a devastating impact not only on Philadelphia, but on the entire Southeastern Pennsylvania region.

Philadelphia collects wage tax from employees working within city limits and from all city residents regardless of work location. House Bills 2142 and 2256 would amend the Sterling Act to require Philadelphia to reimburse the non-resident taxpayer's home taxing jurisdiction for the amount that would have been collected at the local rate. House Bill 2257 would require the City to allow individuals who work in Philadelphia to pay their resident local tax and receive a credit against Philadelphia's non-resident wage tax.

The City's Department of Revenue estimates that the City would lose about \$180 million of existing tax revenue under these bills if every jurisdiction enacted a 1% earned income tax.

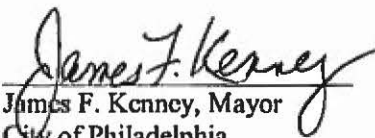
This approximately \$180 million revenue loss would force the City to make painful cuts or to substantially increase taxes. Either of those actions would damage all of Southeastern Pennsylvania. For example, the amount of lost revenue would exceed Philadelphia's combined spending for arts and cultural programs, commerce and economic stimulus activities, parks and recreation facilities, libraries, museums, and the Convention Center, all of which drive growth, attract visitors, and benefit the larger region. The potential approximately \$180 million loss in revenue is more than double Philadelphia's \$79 million annual subsidy to the Southeastern Pennsylvania Transportation Authority (SEPTA). If the City were to impose tax increases in an attempt to compensate for the lost revenue, those increases would likely drive away jobs and businesses that help generate economic activity for the entire region.

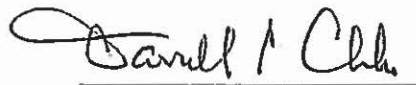
Research from Wharton School economics professor Robert Inman demonstrates that the City and surrounding counties are economically linked. Improving the economic health of the City helps create suburban jobs and wages leading to economic growth and increased home values.

Philadelphia has more than one third of the five-county region's jobs. We are home to leading institutions for patient care, medical research, legal services, and higher education. A \$180 million revenue loss to the City, and the service cuts or tax increases that would have to follow, would not only impact City residents but also negatively affect the entire region.

For these reasons, we oppose these bills and urge the House Finance Committee to consider the significant negative implications for the region.

Sincerely,


James F. Kenney, Mayor
City of Philadelphia


Darrell L. Clarke, President
City Council