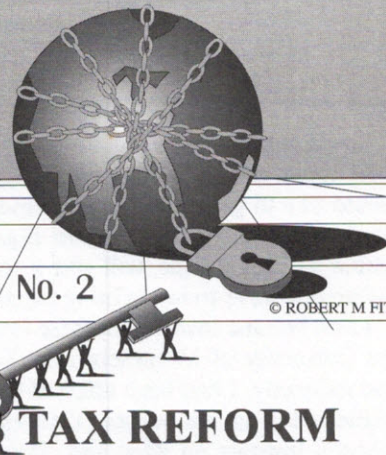


# GROUND SWELL

A BI-MONTHLY PUBLICATION OF  
COMMON GROUND-USA



MARCH-APRIL 2004 / \$3.00

VOLUME 17, No. 2

© ROBERT M FITCH

## PHILADELPHIA PROGRESSES TOWARDS TAX REFORM

Two-rate land value tax proponents in Philadelphia, grounded in the Philadelphia Henry George School and the Center for the Study of Economics (CSE), are encouraged with progress.

GroundSwell readers will recall that Philadelphia City Controller Jonathan Saidel in Nov. 2001 released his "Tax Structure Analysis Report" \* to 150 business and community leaders at a press conference held at the Chamber of Commerce office ( \* posted on <http://www.philadelphiacontroller.org/tax.htm>). (Also see Nov.-Dec. 2001 GroundSwell.)

The Philadelphia Tax Reform Commission then spent a year deliberating ways to fulfill its mission to recommend ways to reduce the city's tax burden in a fiscally and socially responsible manner. The Tax Reform Commission held a hearing in Feb. 2002 and about 22 members of the Pennsylvania Fair Tax Coalition testified for the LVT component of Controller Saidel's Report (see Jan.-Feb. 2002 GroundSwell).

The Philadelphia City Council of the whole held a hearing in April 2003 and many Philadelphia leaders as well as Georgists spoke favorably of a shift to the 2-rate land value tax (see May-June 2003 GroundSwell).

The Tax Reform Commission did recommend the 2-rate land value tax as part of its comprehensive report (see <http://www.philadelphiataxreform.org>). Contacted by Philadelphia Asst. City Controller Bruno Moser, Common Ground-USA responded in Oct. 2003 with a letter of support to TRC Chairman Edward Schwartz (see Nov.-Dec. 2003 GroundSwell).

Now Philadelphia Mayor John Street, re-elected in 2003 and inaugurated in January, has endorsed the Tax Reform Commission's recommendations. CSE Pres. Joshua Vincent emailed us March 9, 2004 about a Philadelphia Inquirer article in which was reported that Mayor Street, in a speech to the Greater Philadelphia Chamber of Commerce, endorsed proposals to "tax local businesses only on sales within the city, to tax property based on 100 percent of the actual market rate, and to move toward 'land-value taxation,' which would base property taxes on the value of the land rather than a building."

On April 13, 2004 Common Ground-USA responded to a request from Philadelphia Forward Executive Director Brett Mandel (on leave from the Philadelphia Controller's office). A letter of support, as follows, was faxed to Mayor Street and

emailed individually to the 17 Philadelphia Councilors.

"As you know, approximately 177,000 Philadelphians voted for tax reform and the creation of the Tax Reform Commission. The Commission spent \$.5 million and nearly a year to fulfill its mission to recommend ways to reduce the city's tax burden in a fiscally and socially responsible manner.

"The Commission's reform blueprint has been endorsed by residents associations, business groups, and the 21st Century Review Forum transition team. Common Ground-USA in our May-June 2003 newsletter, GroundSwell, published a summary of the 200+ page transcript of the testimony at the April 29, 2003 hearing in the Philadelphia City Council chambers relating to Philadelphia Controller Jonathan Saidel's tax reform package. Complimentary copies of that newsletter were bulk mailed to Mayor Street and to you individual councilors and also to members of the Tax Reform Commission. That article, "Hearing Held on Proposed Philadelphia Tax Reform," is posted on Common Ground-USA's web site at <http://www.progress.org/cg/phil903.htm>.

Common Ground-USA has activist members in Philadelphia and held our annual national board of directors meeting in Philadelphia in 1989. Since James Tayoun served on the Philadelphia City Council and Betsy Raveal served as Finance Director, we have been following closely as recommendations have been made and considered.

"The Commission's thorough research and recommended total package comprehensively address the group's initial charges -- decreasing tax burdens, promoting fairness and equity, and improving Philadelphia's competitiveness.

"We commend the Commission's recommendations to phase in land value taxation so that at the end of ten years, 50% of all real estate tax revenues will be generated from a tax on the value of land and 50% from a tax on the value of structures. We commend the Commission's recommendations of comprehensive assessment reform, to assure fairness to all property owners and property tax payers. We further commend the Commission's recommendations to continue reduction of Philadelphia's counterproductive gross receipts tax on business and city wage tax.

"As you consider the City's Fiscal Year 2005 Operating Budget and Fiscal Year 2005-2009 Five-Year Financial Plan, we ask you to (continued on page 16)

## PHILADELPHIA PROGRESSES

(continued from pg. 1)

please support the pending legislation to enact the recommendations of the Tax Reform Commission, which will reduce the onerous burden of city taxes and improve the fairness of the city's tax structure.

"The Commission's package of recommendations will help the city attract and retain firms and families, creating prosperity through new job opportunities and wealth creation. This will play a major role in the continuing transformation of Philadelphia's neighborhoods.

"While the administration supports a number of the Commission's tax reform measures, picking and choosing among the recommendations will not generate the economic development benefits the city needs and it could create consequences that would negatively affect certain taxpayers in ways that could be very damaging for the city. Specifically, the administration's proposals:

- \* Do not do enough to lower the city's onerous tax burden;
- \* Do not do enough to change the tax mix that sets the city apart in a bad way;
- \* Do not do enough to help neighborhood businesses or start-up firms;
- \* Miss an opportunity to help low-income residents access tax credits;
- \* Could create severe negative consequences for certain real estate taxpayers.

"The Tax Reform Commission reached three fundamental conclusions. Philadelphia taxes what other cities do not, which sets it apart in a bad way. Philadelphia's tax burden is higher

than the burdens imposed by rival cities and surrounding suburbs, which makes the city uncompetitive. Finally, Philadelphia's taxes unfairly so some taxpayers pay less than their fair share while others are forced to pay a higher burden.

"To remedy these problems, the Commission proposed a package of recommendations that stands together like a three-legged stool of complementary proposals:

- \* Leg one would dramatically reduce the burden of the Wage Tax.
- \* Leg two would reform and gradually eliminate the Business Privilege Tax.
- \* Leg three would make the Real Estate Tax system fair and transparent.

"The recommendations of the Tax Reform Commission represent a true plan for change that is a prerequisite for the implementation of other initiatives. We respectfully request you to adopt the recommendations of the Tax Reform Commission."

Philadelphia Forward's Brett Mandel, as well as CSE's Josh Vincent, are now rallying supporters for a May 10 public hearing that the Philadelphia City Council will hold as part of the process to consider the city's Five-Year Financial Plan. The Henry George Foundation of America, Philadelphia, is mailing facts and figures on land tax to 175,000 homeowners. The City Council's vote on land value taxation will be critical. You can follow developments on Philadelphia Forward's website, <http://www.philadelphiaforward.org>. <<