COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC HEARING

COMMITTEE ON FINANCE

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Room 696, City Hall
Philadelphia, Pennsylvania
Monday, April 14, 2003
10:10 a.m.

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BILL 030023 - An Ordinance amending Chapter 19-200 of The Philadelphia Code, entitled "City Funds - Deposits, Investments, Disbursements," by revising the list of City depositories because of non-compliance with certain provisions of that Chapter, under certain terms and conditions.

BILL 030163 - An Ordinance amending Chapter 19-1500 of The Philadelphia Code, entitled "Wage and Net Profits Tax," by decreasing in stages the rates of the tax imposed upon certain low income persons, and providing for refunds of excess taxes paid, all under certain terms and conditions.

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PRESENT:

COUNCILWOMAN JANNIE BLACKWELL, Chair
COUNCILMAN DAVID COHEN
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN FRANK. J. DiCICCO
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN ANGEL L. ORTIZ

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COUNCILWOMAN BLACKWELL: We have a quorum. To my left is Councilman W. Wilson Goode, to my right Councilman Frank DiCicco, Councilman David Cohen, and Councilman Michael A. Nutter.

This morning our Committee on Finance will hear two bills. The first one -- and we will ask the clerk to read it -- will be Councilman Cohen's bill, Bill Number 03016. We have a quorum.

THE CLERK: BILL 030163, an Ordinance amending Chapter 19-1500 of The Philadelphia Code, entitled "Wage and Net Profits Tax," by decreasing in stages the rates of the tax imposed upon certain low income persons, and providing for refunds of excess taxes paid, all under certain terms and conditions.

COUNCILWOMAN BLACKWELL: Thank you very much.

Our witnesses: Miss Nancy Kammerdeiner, Revenue Commissioner.

COUNCILMAN COHEN: Madam Chair, may I make an opening statement?

COUNCILWOMAN BLACKWELL: Yes, Councilman.

COUNCILMAN COHEN: This bill is the same as the bill already approved by the Committee of the Whole previously, but it adds an additional year to the time before it becomes effective.

The reason for that is that the Mayor has raised questions about income. It's my belief and feeling and that of many others that there is no problem with respect to loss of income. In fact, there will be increased vitality in the neighborhood, increased payment of taxes to the City.

But in any event, taking into consideration the Mayor's concern, this bill is aimed at delaying the effectiveness of the bill by one year. And that's the sole purpose of this bill, to make it effective beginning with the income earned during the calendar year 2005 instead of 2004.

The first payment that would become due by the City of Philadelphia would be April of 2006. That gives the Mayor and his staff a great deal of time to work out whatever changes that he may believe have to occur.

By that time it seems to me that it

will be very clear that it's not going to cost the City anything, that it actually will increase the income. That's the sole purpose of this bill. And that's why the bill does not relate to any change in any fundamentals at all.

During the course of this bill, I will introduce an amendment to this bill because it's been brought to my attention that there may be some very small inaccuracies in ways in which the payment is to be calculated.

This bill follows exactly, or it's intended to follow exactly, the standards used by the State and Federal Income Tax authorities, because the only people that will be eligible for any benefits under this bill will be people who were exempt from State and Federal Income Tax because their families are exempt because of the lower amount of income.

But there is one process by which both the state and federal authorities compute the exact payments to each family. And that's the reason. And it's been brought to my attention that there may be some minor imperfections in the chart that exists in the bill, and so I will be

offering an amendment to change the calculations to make certain that they're fully in accord with the state and federal acts as they exist today. So with that brief explanation, Madam Chair, I am prepared to move ahead.

COUNCILWOMAN BLACKWELL: Thank you, Councilman.

Miss Kammerdeiner, did you have a statement to make?

MS. KAMMERDEINER: Yes.

COUNCILWOMAN BLACKWELL: We will ask the Revenue Commissioner to... Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Certainly.

COUNCILMAN NUTTER: And I know Miss Kammerdeiner is up to the table, and I have actually no idea what she's going to say or what her testimony might be.

I heard Councilman Cohen's statement, and he was pretty clear in laying out the premise of the Bill.

I did, Madam Chair -- and it's certainly at your discretion. I would like to

have an opportunity to question possibly members of our technical staff for specific time line type questions and the mechanics of the bill.

I'm in support of the bill. I supported the previous bill, so it's strictly for the purpose of creating a clear record, and an opportunity to literally walk through some of the dates and procedures that a person might have to follow.

So it can go after Miss Kammerdeiner, but I would like to have that opportunity. But I wanted the record to be consistent, in terms of the Q and A going back and forth; and coming off of Councilman Cohen's statement, that might be helpful.

And I don't know whether that will be in any conflict with anything that Miss Kammerdeiner might say.

So I should have asked before. I apologize.

COUNCILWOMAN BLACKWELL: Thank you. And you want the City to make that response. Who would do that explanation?

COUNCILMAN NUTTER: Probably a

member of the technical staff could possibly walk through that. And I don't know whether it's going to help or enhance the discussion.

So, Miss Kammerdeiner's at the table. She's the ranking official; and be glad to hear her testimony, at your discretion.

COUNCILWOMAN BLACKWELL: Thank you.

COUNCILMAN NUTTER: But I do want to ask those questions.

COUNCILWOMAN BLACKWELL: Thank you. Miss Kammerdeiner. Please identify yourself. Thank you.

MS. KAMMERDEINER: Good morning, Councilwoman Blackwell and Members of the Committee on Finance. I'm Nancy Kammerdeiner, revenue Commissioner. And I'm pleased to be with you today to present testimony regarding Bill 030163.

As has already been stated, this ordinance will amend Section 19-1500 of The Philadelphia Code, entitled Wage and Net Profits Tax. And it will decrease in stages the rate of the tax imposed on certain low income persons and provide for refund of excess taxes paid by these

taxpayers.

The Administration understands and applauds the intent of the proposed ordinance. We care about these low income taxpayers and do want to help them.

That's one of the reasons that we support the Tax Reform Plan proposed by Governor Rendell. The Governor's proposal will permit Philadelphia to realize a much steeper, quicker decline in the Wage Tax than would be possible without the offsetting revenue from the state.

In addition, the Governor's proposal calls for an increase in the eligibility threshold for participation in the tax back, tax forgiveness benefits available to low income Pennsylvania Personal Income Tax filers, who I will refer to later as P.I.T. filers.

31 percent of Philadelphia P.I.T. filers participated in the Forgiveness Program in 2000. An increasing number of Philadelphians are expected to participate, as awareness of this program increases and as the dollar value of exemptions continues to increase.

As a result, these low income

taxpayers will see a reduction in their Wage Tax and will not see an offsetting increase in P.I.T. They will receive more benefit from the Governor's proposal than other taxpayers.

The bill before you today is modeled after the P.I.T. tax back, tax forgiveness program.

When a similar bill was introduced last year, the Department of Revenue estimated that it would cost the City at least $80 million annually when fully implemented.

That estimate was based upon P.I.T. statistics from 1999. We have not updated the analysis for this bill. However, I can tell you that in late March we received statistics from the Pennsylvania Department of Revenue for P.I.T. for the 2000 tax year.

The number of Philadelphians who filed and qualified for the Forgiveness Program had increased by 7.5 percent from 1999, and the amount of tax forgiven for these taxpayers had increased by 19 percent.

These same taxpayers would be eligible for the Wage Tax forgiveness proposal

before you. Therefore, it can be expected that the estimated impact on Wage Tax revenue would also have increased. And it is expected that the impact will continue to increase as the dollar value of exemptions and the number of qualifying taxpayers increase.

Unfortunately, this proposal does not come with the promise of offsetting revenue from another source, as does the Governor's Tax Reform Plan. Instead, the proposed legislation comes at a time when the City's finances are particularly fragile.

As you know, the FY '04-'08 five-year plan that was presented to you on January 28th and is pending your approval anticipates ending fiscal '08 with only a $14.2 million fund balance.

Several things have happened since it was introduced that will affect the plan. The fire arbitration award was announced. It will cost $43 million more than the funding that was included in the FY '04 to '08 plan.

A state budget has been signed into law that makes dramatic cuts in crucial services,

such as drug and alcohol programs, the Free Library and homeless programs.

In addition to finding ways to handle the impact of the Governor's budget and the firefighters award, the City must be wary of other substantial risks that still confront its finances.

For example, the five-year plan assumes that the pension fund will earn nine percent annually, yet it has lost money so far this year. And the plan also includes no funding for pay raises beyond those included in the current collective bargaining agreements.

As you know, P.I.C.A. has requested that the City revise the '04 to '08 plan because of the Governor's budget and the firefighters award.

The revised plan will include less funding for City services. Adding the impact of this bill would make service reductions inevitable.

It is for this reason that the Administration cannot support this bill at this time.

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This concludes my testimony, and I'll be happy to answer my questions.
COUNCILWOMAN BLACKWELL: Thank you very much. Any questions for the Commissioner? Councilman Nutter, do you have questions?
COUNCILMAN NUTTER: I do, but I think Councilman Cohen does also.
COUNCILWOMAN BLACKWELL: Councilman Cohen, questions.
COUNCILMAN COHEN: Do I understand, Miss Kammerdeiner, that this bill merely provides that those people who are exempt from state and federal income taxation will also be exempt from the City Wage Tax, provided they file for a refund?
MS. KAMMERDEINER: Yes, I do.
COUNCILMAN COHEN: Do you find it strange that those two levels of government, both controlled by Republican Administrations, have in their judgment found it important to exempt this group by the Democratic Party which controls Philadelphia, is taxing the very people that the Democratic Party says should not be taxed?
MISS KAMMERDEINER: I can't really

comment on how and why they made the decisions that they made at those other levels.

COUNCILMAN COHEN: Well, I can see why it would be very difficult. But it's a very real embarrassment that an Administration dedicated to follow policies in the interest of working people should have a policy of taxing the poor to make it better for the rich, when that's the very policy that we condemn whenever the opposing party does that.

Yet in this instance, it seems that the Democratic Party in Philadelphia is doing it. And that's the reason for this bill. This bill is aimed at having the Democratic Party leadership in this City pursue Democratic Party policies, which is to favor not tax cuts for the rich, but tax cuts that are targeted to help where the help is needed most, and that's the working poor. And that's the only group that's targeted for benefits here.

We have generally reductions in the Wage Tax for everybody, including the rich in the City. We don't pick and choose. But in this one instance where both the state and federal

governments have decided that it's wrong to require people of such low income to pay tax, the City of Philadelphia is insisting that they pay the tax.

And I think it's very bad policy, particularly since we are in the middle of an N.T.I. program which has as its ostensible aim the strengthening of the neighborhoods. And neighborhoods are suffering from a lack of retail business because the neighborhood income has not been enough to sustain the continued existence of these stores.

This money is money which will not go into investment but will go into the neighborhood stores because it will increase the income, the dollar income, for families from $600 to $900 in most instances where it's applicable.

Any comment you wish to make? But that's not necessarily a question that you have to reply, but I'm trying to indicate why it's so urgent for the City of Philadelphia to reform its tax practice now.

It has nothing to do with the Tax Reform Commission, because in the creation of the

Tax Reform Commission, it was stated by its sponsor, Councilman Nutter, and by all the media, saying that one good thing about the Tax Reform Commission proposal is that the proposer makes clear that he does not believe that it's proper to wait until the Tax Reform Commission starts, but that it's important to take steps immediately to correct injustices that may exist.

It's all right with the Chair if the Revenue Commissioner wants to treat that merely as a comment or she's free to reply if she would like to, either way.

MS. KAMMERDEINER: I don't have a complete reply to that, other than to say that the Administration certainly does share the concerns about these taxpayers.

We also have a fiduciary responsibility to ensure that, from a financial perspective, the City budget remains solvent. And that is the aspect of this that I testified about, and that raises the concern about this bill at this time.

It's not that we don't share some of the same interest, but we don't think the time is

right right now, until we get some of the other financial components under control, to be introducing a measure that could, at least in the short run, reduce the amount of revenue that we need in order to provide services.

COUNCILWOMAN BLACKWELL: Councilman Nutter.

COUNCILMAN COHEN: Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: You're welcome, Councilman Cohen.

COUNCILMAN NUTTER: Thank you, Madam Chair.

Miss Kammerdeiner, let me go through a couple of the elements of your testimony so I can better understand the Administration's position.

Let's talk first in the second paragraph of your testimony. I need you to make it a little bit clearer for the record and give us all a little bit of a education on what happens at the state level.

Now, you talked about the Pennsylvania Personal Income Tax, the P.I.T. Your

testimony says 31 percent of the Philadelphia P.I.T. filers participated in the Forgiveness Program in 2000.

What exactly is the state's -- What do we call this? Tax back, slash, tax forgiveness program? How does that work?

MS. KAMMERDEINER: There are actually several charts, very similar to the charts that are included in this bill, that provide for either 100 percent forgiveness from the Personal Income Tax or some percentage of forgiveness based on the income of the household.

And the number of dependents in each household is involved in making the calculation of what income level would still permit you to participate for forgiveness, anywhere from 10 percent up to and including 100 percent forgiveness of the income tax.

COUNCILMAN NUTTER: So is the schedule based on income?

MS. KAMMERDEINER: Income and number of dependents.

COUNCILMAN NUTTER: Okay. So not everyone is eligible for 100 percent forgiveness

in the state program.
MS. KAMMERDEINER: That's correct.
That's correct.
COUNCILMAN NUTTER: Okay. Well, that's a new piece of information. I was actually under the impression that everyone at a certain level was 100 percent eligible.
MS. KAMMERDEINER: At a certain level they're 100 percent eligible, but at increments leading up to or really in excess of that level, they may have a forgiveness of 90, 80, anywhere down to 10 percent. Before then they would be paying the full amount.
COUNCILMAN NUTTER: And do you know what those levels are? Are they based on median income. And you said income and household size?
MS. KAMMERDEINER: It's a combination of income and the number of dependents.
COUNCILMAN NUTTER: Okay. Do you happen to have a schedule?
MS. KAMMERDEINER: I believe we have one with us. One of my staff has one here.
COUNCILMAN NUTTER: If you could

maybe give that to our Sergeant-at-Arms, and they could make a copy of that for the Committee, and that would be helpful.

MS. KAMMERDEINER: Sure.

COUNCILMAN NUTTER: Okay. While we're working on that, now do you know why -- And tell me a little bit just for the record: What's the federal government comparable program? Is that the Earned Income Tax Credit?

MS. KAMMERDEINER: Yes.

COUNCILMAN NUTTER: Okay.

MS. KAMMERDEINER: And it's also a combination of household size and income. And I'm not certain. I haven't compared the numbers one to the other, to know whether the state and the federal numbers are exactly the same.

COUNCILMAN NUTTER: Okay. But they have similar programs?

MS. KAMMERDEINER: It's a similar type of program.

COUNCILMAN NUTTER: Okay. Now, do you know why the state or the federal government enacted such programs?

MS. KAMMERDEINER: No, I do not.

COUNCILMAN NUTTER: Okay. Do you think it fair that a Philadelphia taxpayer would be able to participate in an exemption program, whether from 10 percent to upwards of 100 percent, for the State Income Tax and for the Federal Income Tax, but then still be subject to 100 percent of the Philadelphia Wage Tax?

MS. KAMMERDEINER: From my perspective, it's not an issue of fairness, but an issue of whether or not the government can afford to grant it.

COUNCILMAN NUTTER: Well, I understand that. And I understand your interest in trying to answer the question in that fashion. But I do need a fairness response.

You have the state exemption. You have a federal exemption. And now you have the local government coming in at probably an even higher rate, and certainly our Wage Tax rate is higher than that the State Income Tax. State Income Tax is at presently 2.8?

MS. KAMMERDEINER: Correct.

COUNCILMAN NUTTER: Okay. And Philadelphia resident presently 4.5?

MS. KAMMERDEINER: 4.5.
COUNCILMAN NUTTER: Okay. And I can't even keep track of the federal rates.
But from a pure revenue standpoint -- and you're obviously the Revenue Commissioner; you need to generate as much revenue as possible -- but the government also sets policies.
And so I do need a response to the fairness issue. It doesn't take away from your need or your interest, or undermine your need or interest in trying to generate revenues for government or at least maximize them, and make sure the people pay what they owe, which I think is the primary function of the Department of Revenue, not necessarily to generate revenue but to make sure that people pay what they legitimately owe.
MS. KAMMERDEINER: Correct, and to enforce the laws as they exist.
COUNCILMAN NUTTER: Absolutely. Is it fair that a Philadelphia resident who meets a state and federal threshold in a statute would still be subject to the Philadelphia Wage Tax?

MS. KAMMERDEINER: I'm not exactly sure. I mean, that's a personal opinion for each and every individual. And it's not an issue that I feel is one that I should be responding to. It's an issue that you --
COUNCILMAN NUTTER: I understand.
MS. KAMMERDEINER: -- as setting the policy should be responding to.
COUNCILMAN NUTTER: Well, do you find those as a high-ranking public official and as a policy maker, do you find those policies in conflict with each other?
MS. KAMMERDEINER: I think the basis for the Wage Tax and the basis for the State and Federal Income Taxes are different. We don't have any offsetting deductions or look at household size for Wage Tax, so the basis of the tax is a very different basis, and so I can see them as two very separate things.
COUNCILMAN NUTTER: I'm not sure that low income State Income Tax filers enjoy any particular benefits of deductions, do they?
MS. KAMMERDEINER: In the federal return, there would be a standard deduction.

COUNCILMAN NUTTER: No. I asked about the state.
MS. KAMMERDEINER: Probably other than if they qualified for the forgiveness program, probably not, unless they have business expenses, union dues, equipment, things like that, that are possible deductions.
COUNCILMAN NUTTER: Let's assume none of those things are in place. The only thing that you then qualify for is this program with the state. There are no general deductions. And it would seem to me that our policy is in direct conflict with comparable policies at the state and federal level for this class of taxpayer.
MS. KAMMERDEINER: Perhaps if you're looking at just the state, but the federal is a different setup because of the other deductions.
COUNCILMAN NUTTER: For the moment we're just talking about the state. Okay.
Let's go to the third paragraph. In finishing up that last Q & A, I think that there is a fairness issue here. It is... You know, I don't know -- You know, all these things have their own timing and I don't know -- And we

appreciate Councilman Cohen's raising this issue. I didn't even know that low income tax payers did not pay the State Income Tax.

And so you're exempt from paying the 2.8 State Income Tax, but you're still responsible for paying a 4.5 at the City level. There is a fairness issue here.

Let's talk about the... You estimate an $80 million annual cost when fully implemented, and that's based on the P.I.T. statistics from 1999.

How many people participated from Philadelphia in the State Tax Back, Tax Forgiveness Program?

MS. KAMMERDEINER: Let's see if I have that number here. In 1999 139,534 returns filed from Philadelphia County were eligible for the Forgiveness Program.

One thing I should mention, because the Non-resident Wage Tax is paid by people who might be eligible for this, the numbers that I'm giving do not include an estimate of any suburban participants who would be eligible for the program. That's only Philadelphia County.

COUNCILMAN NUTTER: Okay. And under this proposal, sounds like, one, we're looking at a refund.

MS. KAMMERDEINER: Correct.

COUNCILMAN NUTTER: And second, persons not automatically eligible by their income or by their participation in the state program, they would under this proposal have to file with the Department of Revenue?

MS. KAMMERDEINER: We would have to work out the details on this.

When this proposal was before Council last year, I had talked with people from the state about being able to access information from them on the people they approved. I shouldn't say people. The filers, because it could be a household.

And that's one of the complications for us, because we would have individuals who would be paying Wage Tax who might be part of the same household, and so we would need to know from the state who met the qualifying criteria for the State's Forgiveness Program.

And so, what we would aim for is a

way to identify, with assistance from their records, who would be eligible, tie that back to our wage tax filers.

But yes, they would have to file some sort of refund petition, some request with us. And then we would need to verify that they were eligible, based on their total household.

COUNCILMAN NUTTER: Lastly, I think in response... I don't know whether it was in your testimony or in response to Councilman Cohen, you said that you have naturally concern for this group of taxpayers, but that you did not think that at this time it was -- Was that in response to a question? I don't see that in your testimony.

MS. KAMMERDEINER: A combination of -- The closing of my testimony indicated that for this reason the Administration cannot support this bill at this time. And then it was amplified a bit in commenting on...

COUNCILMAN NUTTER: Well, as has been said by certainly someone wiser than myself, I mean, if not now, when? And when is the better time?

MS. KAMMERDEINER: I don't have a concrete answer, other than to say that I think we need to see what happens with the Governor's Tax Reform Plan, the impact that will have on our Wage Tax reduction capabilities, and also get a little more knowledge of instability with some of the financial pressures that are facing us, to see that we can in fact afford to deal with this in the short run.

Councilman Cohen has indicated that he expects the impact of this, in terms of the supply side, if you will, would more than compensate for it.

But that won't happen immediately, and we need to be fiscally prudent and be sure that we can handle the short run until those benefits do in fact occur.

COUNCILMAN NUTTER: All right. Well, I understand that.

Now, let me ask your comment on this: Certainly all of us are aware and concerned about the City's present fiscal condition. And I don't think there's a Member of Council who is not sensitive to that. No one wants to act in a

irresponsible fashion.

But simultaneously there is a need, and I don't think anyone is going to dispute that, as I've at least tried to lay out here earlier: One, there is a fairness issue here; two, we're in direct, not legal, but at a minimum financial or moral conflict with complementary state and federal statutes.

And when you get to the public policy side of this, I do find it interesting that the Governor, who is under quite severe financial duress and constraints, but seeking to somewhat boldly move Pennsylvania in the right direction, finds himself in the following situation:

He has an estimated $2 billion deficit. He proposes to raise the State Income Tax for everyone, I believe, from 2.8 percent to -- is it 3.75?

MS. KAMMERDEINER: Yes, that's the proposal.

COUNCILMAN NUTTER: Okay. He wants to put a billion and a half dollars additionally into funding public education, and is seeking to reduce property taxes, I believe, by another

billion and a half dollars across the state, with a special situation for Philadelphia, to utilize those, quote, unquote, property tax savings for Wage Tax reductions.

Now, if the Governor can do all of that, given the state's financial circumstances, why is it impossible for the City, not in the current fiscal year -- and then I want to talk to you about some timing issues, and then get some of the technical staff responses -- why is it impossible for the City to treat the same group of taxpayers in the same fashion that the state and federal government does, take into consideration a future possible loss in revenue because it's not immediate. You would have some time to prepare for it; and secondly, you have to implement the program; third, not everyone is going to know about it immediately because information has a way of traveling fast on some things and slow on others.

But the general response is, you know, not now; and we'll do it at some point in time in the future when things are either better or more perfect. I mean, when will that day get

here?
MS. KAMMERDEINER: I think you commented on how the Governor can do that within the statements you made leading up to your question because you indicated that he's proposing an increase in the Personal Income Tax and is allocating that increase to cover a number of things factored into there.
One of the things that was factored into how that increase across the board would be spent was an increase in the participation for the Forgiveness Program.
So, that portion of his stimulus package was going to be funded by the increase in rates across the board.
We don't have that happening here. We don't have an offsetting revenue base that would deal with it.
COUNCILMAN NUTTER: But all of those dollars are not being used just for the Tax Forgiveness Program.
MS. KAMMERDEINER: I'm sorry?
COUNCILMAN NUTTER: Not all of the State Income Tax increased dollars are not being

used for...
MS. KAMMERDEINER: Certainly not.
COUNCILMAN NUTTER: ...tax forgiveness program.
MS. KAMMERDEINER: They're going to a number of different things.
COUNCILMAN NUTTER: Right.
MS. KAMMERDEINER: But I'm saying that factored into there, one of those things is to provide some relief for the lowest income taxpayers.
COUNCILMAN NUTTER: But you're certainly not suggesting that we raise other --
MS. KAMMERDEINER: No, I'm not.
COUNCILMAN NUTTER: -- taxes in order to offset this?
MS. KAMMERDEINER: I'm not suggesting that, which is why I'm suggesting that we not encounter or take on this additional change in the tax structure at this time because we don't have some offsetting revenue to deal with the at least short-run impact on income.
COUNCILMAN NUTTER: Well, it might cause us to... I mean, you may be partially right

about that. But it might simultaneously cause us to re-think some of our spending priorities. I mean, you know, there are at least two sides to the ledger. There is the revenue side, and then there is the expense side, which gets the shortest of look under most of these circumstances.

We faced this same issue last year at literally this time last year when we were having Wage Tax discussion.

I mean, the government only wants to talk about how much it can collect. It never wants to talk about how much it's going to spend.

MS. KAMMERDEINER: Actually, I did address that in my testimony by indicating that we're already looking at the five-year plan, and looking very closely at and must make adjustments to the expenditure levels in the five-year plan because of the firefighters award and because of the Governor's budget reductions that affect the General Fund Budget. And --

COUNCILMAN NUTTER: And we know that that story is not finished, though.

MS. KAMMERDEINER: That's correct. That's not finished. But at the moment we have a

need to have a five-year plan in place --
COUNCILMAN NUTTER: I understand.
MS. KAMMERDEINER: -- before the end of May. It needs to have your approval, and also needs to have approval of P.I.C.A. We don't expect to have the Governor's budget situation resolved before then.
And so, the plan that will be revised and presented to Council will include expenditure reductions.
And basically, my earlier testimony indicated that if this measure were approved, we would expect that those reductions would have to be even greater during the course of the five-year plan. And you really leave no room for anything other than service reductions when you take too large a chunk out of the expenditures.
COUNCILMAN NUTTER: Two last questions, one I had not thought of until something you just said.
With regard to the five-year plan and the schedule that you've just laid out, let's say we pass our budget and we pass the five-year plan, we make the amendments that we need to make,

and the Budget Director has indicated, I think, we'd have those proposed amendments because of the Governor's budget by the end of this week.

Lay out for us -- Let's say that we pass the budget and the five-year plan sometime in May. And let's say that the Governor and the General Assembly pass his budget either by June 30th or I think I read in the paper this morning that the Governor is talking about possibly bringing some sand up from the Jersey Shore and laying it out on Front Street for the legislators to sit out there in July and August.

But let's say in the worst case scenario, the state's budget is not passed until sometime in the summer, after the start of the fiscal year, after the start of the budget that we will have approved in the five-year plan.

And let's say they end up resolving most of these doomsday case scenarios. What happens with regard to our budget and our five-year plan? Would we have to make subsequent amendments to it?

MS. KAMMERDEINER: I'm not an authority on that part of it. I would really

defer to first our Budget and the Law Department.
COUNCILMAN NUTTER: That's fine.
With regard to this bill and the schedule, I need to ask you from your perspective, your understanding of when the bill would go into effect, how the schedules that are laid out, either in the bill or some proposed amendments take place, and what fiscal year is affected by this bill versus the tax year?
MS. KAMMERDEINER: Okay. It's my understanding that the rate change would take effect for calendar 2005.
COUNCILMAN NUTTER: That's January 1 of 2005?
MS. KAMMERDEINER: Yes.
COUNCILMAN NUTTER: Okay. And that's midway through --
MS. KAMMERDEINER: Fiscal 2005.
COUNCILMAN NUTTER: -- actually fiscal '05, right?
MS. KAMMERDEINER: Correct.
And that tax year would have to be concluded, of course, before anyone could seek a refund for any overpayment that they would make.

COUNCILMAN NUTTER: All right.
MS. KAMMERDEINER: And I believe Councilman Cohen referenced April. If we would get information from the state in terms of P.I.T. eligibility...
COUNCILMAN NUTTER: Mm-hmm.
MS. KAMMERDEINER: ...that information, in terms of calendar 2005, would not be available to us until the fall of 2006.
One of the things we would need to look at and confirm, both with Council staff and with the Law Department about, is whether or not we should use P.I.T. eligibility from the state from the prior year, which would be available to us in the April 2006 time frame.
COUNCILMAN NUTTER: All right. I think there are probably a couple concerns about that.
So let's say that this low income person who is eligible, I pay... I go to work through all of tax year and calendar year 2005. My employer withholds whatever the Wage Tax is.
MS. KAMMERDEINER: Right.
COUNCILMAN NUTTER: When I go to pay

my 2005 taxes by April 15, 2006, you're saying that the City would not have the necessary information for me to be able to file for a refund for 2005 taxes until October of 2006?

MS. KAMMERDEINER: I'm saying that it would be at least October until the state would be able to tell us who had met the P.I.T. qualifications filing with the state, in terms of what households and the income from those households.

COUNCILMAN NUTTER: Because the person has to file their taxes by April 15, 2006, for 2005.

MS. KAMMERDEINER: Correct.

COUNCILMAN NUTTER: And you're saying only after that application is received...

MS. KAMMERDEINER: Right.

COUNCILMAN NUTTER: ...would you subsequently have information about...

MS. KAMMERDEINER: And when I talked with them last year about the timing on that, how soon after the filing on April 15th they would be able to give us information indicating that people with these Social Security Numbers had in fact

been found eligible for the state's P.I.T. program, I was told that it would be October or November.

COUNCILMAN NUTTER: Six months to figure that out?

MS. KAMMERDEINER: Before they would have all of the information in a format that they could share it with us.

COUNCILMAN NUTTER: All right. So let's say that... Based on that -- So let's say you get the information in October. People would -- I mean, but people theoretically could apply any time. You just have to match up their paperwork with their state filing.

MS. KAMMERDEINER: That's why I was saying that one of the things I would like to consider is staggering it, so that we wouldn't be using the 2005 P.I.T. eligibility information but the 2004 information, so that we would already have it and be able to deal with it.

I don't know whether that would work legally under the structure of this legislation. And that's one of the questions I have, in terms of how we would develop the implementing

regulations.
COUNCILMAN NUTTER: Is it your thought here that you would need an amendment to the bill to deal with that or you could handle it by way of regulations?
MS. KAMMERDEINER: I was hoping we'd be able to deal with it by regulation.
COUNCILMAN NUTTER: Okay. All right. So if you get that --
MS. KAMMERDEINER: Excuse me. There's one other thing. We could look at doing our own check on that, but we thought that it would be far better to be using the existing P.I.T. approval because this is modeled on it.
And so, we were looking at that instead of having to do our own income and eligibility check and duplicating something that's already happening at the state.
COUNCILMAN NUTTER: What would prevent you from using the person's 2004 P.I.T. Tax Back, Tax Forgiveness filing?
MS. KAMMERDEINER: I don't know if legally we can. It's a question that I have. I had not explored how we would develop the

regulations and how that procedure would go in place, without knowing that we actually had legislation that we were attempting to implement. We haven't gotten to that stage in looking at it.

COUNCILMAN NUTTER: Okay. All right. Thank you.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you, Councilman. Any other questions for the Commissioner?

Rosalind Spigel, Director of Jewish Labor Committee. Are you here? Would you like to come forward? Jonathan Stein, Community Legal Services, and The Tax Reform Commission.

Now, by way of who's here, is John Hogan here, Green Party Candidate for City Council?

(No response.).

COUNCILWOMAN BLACKWELL: Okay. Then I won't call the others. Thanks, Tim. All righty, Mr. Stein. Identify yourself. Welcome.

MR. STEIN: Thank you, Chairwoman Blackwell. First let me make clear. I'm here speaking as General Counsel at Community Legal

Services, and not for the Tax Commission which as you know is still doing its work and will report in the fall.

Although I'm here mainly to speak about and primarily speak about Councilman Cohen's Wax Tax Bill, I also understand that Councilman Goode's provision concerning banks in the City is also before the Finance Committee.

And so let me briefly applaud you, Councilman Goode, for your efforts in making banks in the City more accountable, in terms of community reinvestment. I think it's an extraordinary and important effort.

Our office did weigh in with the CoreStates First Union merger, opposed it, because we thought there would be deleterious impacts on access to funds and banking services. So I think your effort here on City Council is really quite invaluable, so we applaud it wholeheartedly.

Concerning Councilman Cohen's Bill and those on City Council here who have supported it, in some way this bill is almost 70 years overdue. I mean, it's... And that's why it's such a pleasure to be here and lend support to it.

It's one of those basic fantasy issues which you ask why hasn't this been done before? Why has the City for over half a century lived with the most regressive of taxes in the country, virtually.

And you know, why is it that we're waiting until now to undo an injustice that people have long suffered with for almost an entire century in this City? So I especially welcome your efforts and your energy in trying to get this done at this time.

Councilman Cohen has made some important changes which would ameliorate the impact on the City finances, which gives the City much more time, phases it in slowly over a number of years, allows the planning to make sure the financial impact is minimized.

And to those who ask about timing, I know Councilman Nutter asked that of the Revenue Commissioner -- and I think it was an important rhetorical question -- when is the time?

I mean, if this is a good idea, if this is basically a fair proposal, why not now? And I think the timing, given Governor Rendell's

proposal of tax reform, it almost makes this the ideal time, because what is going on in Harrisburg -- and we know it's still a proposal and it's still going to take some battering and maybe not -- may not come in the full form that the Governor is initially proposing it.

But essentially Governor Rendell is saying: Let's reduce the Wage Tax and shift that burden on to a State Income Tax, as well as do other good things, but like increase education funding.

Now, that's a really winning combination for Philadelphia, because what it does is, it allows us to have a Wage Tax reduction, and putting the burden of that across the state on a State Income Tax where low income people already have an exemption and don't have to pay in certain gradations that tax.

Now, that's the climate that this bill is being heard in. If the City is indeed going to get wage tax relief not out of its own direct pocketbook but out of a larger statewide pool of State Income Tax money, then why not use this and seize the moment to say, this is

precisely the time to take a step forward to make a more equitable Wage Tax.

Because we can look to support from the state from this larger State Income Tax revenue base to support these cuts.

In fact, one good hope that Governor Rendell and the State Legislature would perhaps even incorporate a targeted Wage Tax reduction for low income people in the state legislation and the state budget. But we can't count on that. And that's why I think a City Council bill here is that much more important.

We see that about a third of the households in Philadelphia have incomes of less than $20,000. We see that the minimum wage, which is now $5.15 an hour, has been so eroded that it's 30 percent less than it was in 1968.

So that this bill is primarily -- is targeted to working people who because of a minimum wage law that has been not kept up with time, because of lots of other circumstances, are really on very tough times right now.

And as Councilman Nutter, Councilman Cohen, and others earlier had pointed out, if you

have a State Legislature and a Congress that has been Republican dominated for many years now, if they have seen fit to exempt low income people -- and remember, the Earned Income Tax Credit, the federal credit, really came out of the '80s, at the height of the Reagan, sort of conservative, right-wing, supply-side policies.

You had a bipartisan effort of Democrats and Republicans, have said that it is fundamentally fair if we're going to give all these cuts to businesses and everyone else, it's fundamentally fair that we are going to at least make sure that low income working people have a break as well.

And remember, this is also coming at a time when there's a big push of welfare to work. Many more people who have been on welfare and are transitioning into the workplace with various supports, and should not -- We give them added incentive to stay in the work force to make sure that they see -- that work can actually feed their families and buy housing for them. Isn't this also the right time, the perfect time to have this kind of bill enacted?

There is a business connection. It is absolutely true that when you give a little extra money to lower income people, working poor people, they're not going to bank it and invest it into mutual funds or take the vacations in Hawaii or whatever with it.

They're going to spend it on local businesses, on neighborhood businesses, and may even pay an overdue PGW bill or a water bill with it. And that might even help the City in that way.

But certainly it's going to help local businesses in a way that almost no other Wage Tax cut will. Because for those who argue -- and I know it's an open issue before the Tax Commission. I don't want to say here that my testimony is precluding what the Tax Commission is going to say on this.

But the evidence is just not there that says an across-the-board Wage Tax bill -- Wage Tax cut for everyone, including those in the suburbs who are already moved to the suburbs, that a cut for them is the answer, the panacea to grow business in Philadelphia.

Now, there may be some much more targeted ways of growing business tax credits or other incentives other than an across-the-board Wage Tax cut.

But what is clear is that when you have a Wage Tax cut bill like this one, you are directly putting money into hands of people who are not going to sit on that and put it under their pillow. They're going to pay the overdue PGW or water bill.

They're going to buy things from local businesses, and they're going to grow businesses in neighborhoods which need to grow.

And we're not talking about Center City, you know, high office buildings and white collar jobs there. We're talking about businesses in neighborhoods where people live and where people spend those dollars.

Let me just conclude by saying that I think the changes that Councilman Cohen has made in this bill really make it more palatable for a City to do. I think that he's done that in the longer term public interest. And I'm really hoping that this will be the impetus to get this

bill enacted. I think it's long overdue, and I applaud everyone on Council here this morning for their support of this bill. Thank you.

COUNCILWOMAN BLACKWELL: Thank you, Mr. Stein. Any questions for him?

(No response.)

COUNCILWOMAN BLACKWELL: All right. Is it still too early for Mr. Hogan? John Strauss or Kathy Quinn, Democratic Socialists of America, please come forward.

Is Mr. Fabricio Rodriguez here, after that? Okay.

Thank you. You'll be next, sir. Welcome. Good morning. Please identify yourself for the record and begin your testimony.

MR. STRAUSS: Yes. Good morning, Council Members, Madam Chair, fellow citizens. Thank you for giving us this opportunity to speak on this issue.

I'm John Strauss, S-t-r-a-u-s-s. I'm Co-chair of Greater Philadelphia Democratic Socialists of America. This is an organization

with 200-plus members in the City and a newspaper with a circulation of about 1200 bimonthly. And I'm here to speak in support of this bill.

We live in times of insecurity, not the least of which is economic insecurity. But for those in the lowest income brackets, it's always times of economic insecurity. As more and more jobs are becoming low paying service economy jobs, it's even harder for more people to be financially secure.

In an ideal world, these incomes with would be higher, and the jobs would be better. Some of us are trying to change that situation, but it's going to take a long time.

In the meantime, what this bill proposes to do is to take an easy step, one that the people here can take, that would help make life a little easier for those in need.

My apologies if it's redundant. I think a lot of us are going to say the same things because it's the same issues.

D.S.A. believes that taxes do a lot of good things. They help to provide services that make our communities livable, but we draw a

line when it causes serious hardship.

The real bottom line effects of taxes are very different for people of different income levels.

For someone earning $6,500 a year or supporting a family of four on $31,000, a Wage Tax makes a bigger difference than for an individual bringing home $30,000, $50,000, $100,000, or supporting a family of four on $50,000, $60,000, or $100,000.

It's more than a matter of quality of life, which is a significant issue. But it's a matter of survival. For a low income worker, that roughly $200 a year is food for nearly a month. It's almost two months of utility bills. It will buy clothes. It will pay rent.

In addition, lower income wage earners actually pay a higher percentage Wage Tax than people who make more money because the real rate declines with your rise in income, because it's deductible on one's Federal Tax Return.

So if you're in a 33 percent federal tax bracket, you wind up paying 67 percent of the Wage Tax.

If you're in the 39 percent federal income tax bracket, you pay 61 percent of your Philly Wage Tax. But if you're at the bottom, you pay 100 percent of that Wage Tax, when you need the money more than the others do.

Some people are concerned that this tax break will take money out of City coffers, but at this income level people aren't going to take the money home and sit on it. They're going to spend it on things they need.

So it will allow people to support themselves a little better, and it will boost local businesses in local income areas, and some of it will even come back to the City through other taxes.

In the long run the added security can help build a greater stability in the home and in the community, which may decrease the need for social services and such things.

Even under fiscally conservative Republican Administrations, both Pennsylvania and the Federal Government have given this kind of break to low income workers and families.

And certainly in a Democratic, and I

mean that in the broadest way, a City like Philly, we can do it too.

With a gradual four-year phase-in, and really three years to prepare for it, it should be relatively painless to do. And it will be for a good cause. And it's simply the right thing to do.

Let's be a model for other cities. Let's show how a city cares for its neediest citizens. Let's send this bill forward with a recommendation that the entire Council adopt and pass this legislation.

Thank you. And thank you, Councilman, for introducing the Bill.

COUNCILWOMAN BLACKWELL: Thank you very much. Any questions?

(No response.)

COUNCILWOMAN BLACKWELL: All right. Mr. Rodriguez. Welcome. Please identify yourself for the record and begin your testimony.

MR. RODRIGUEZ: Thank you, Madam Chair. My name is Fabricio Rodriguez, R-o-d-r-i-g-u-e-z.

In these times we hear a lot of talk

about tax fairness and tax justice. The phrase double taxation is being bandied around the press and by federal bureaucrats.

Let's evaluate the tax situation faced by some of the hardest working Philadelphians. I'm going to talk about four taxes that low wage earners pay more than their fair share in.

Workers in Philadelphia can least afford to pay for -- who can least afford it, pay a considerable amount of their scant resources to the City of Philadelphia in the form of a Wage Tax.

Number two: Low wage earners lose a disproportionate amount of their income in sales tax, often forced to live hand to mouth, from the bedroom to the workplace, in order to make ends meet.

The third tax comes about in times of budget shortfalls. What services and facilities that low and middle income workers utilize to change their circumstances and make up the difference, such as libraries, public transit, and public funded higher education are on the

chopping blocks, a tax on the institutions that raise up all boats and improve the quality of lives.

And the fourth tax: Finally there is this fourth tax which is the most grave tax of all, that is disproportionately paid by low wage earners. This tax is one that comes most heavily paid and is a tax paid by working citizens during times of war.

Those on the lower socioeconomic rungs in our society pay this tax with their lives and the lives of their children as they board planes headed for the Persian Gulf or wherever next they are called into action.

If we are going to talk about how it is unfair to double tax, then let's take note that we need to address in a real earnest way efforts to help those most taxed in our City.

To ignore this would be a blatant disregard for the constituents that this Council is duty bound to represent.

That is four sacrifices low wage earners in the City make and they pay for disproportionately.

So Philadelphia can afford these Wage Tax cuts. In fact, for the long-term prosperity of the City, for the health of Philadelphians, and the health of our economic base, Philadelphia cannot afford to not pass this truly just and fair Wage Tax decrease for working Philadelphians.

Thank you, Council, and thank you, Madam Chair, for your time.

COUNCILWOMAN BLACKWELL: Thank you very much, Mr. Rodriguez.

Any questions for this witness?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you. Thank you very much.

Well, we have John Strauss or Kathy Quinn. Would you like us to hold up for now and go to our other bill, and then if Mr. Strauss comes?

Mr. Shapiro, would you come forward to testify on this Bill? Thank you. And then if Mr. Strauss or Kathy Quinn, if either individual comes in, we'll be happy to hear their testimony. Stan Shapiro, please identify yourself for the

record and begin your testimony. Thank you.
MR. SHAPIRO: I'm Stanley Shapiro. I'm Chief Staff Attorney for City Council. And I'm not sure that I have testimony, other than to answer questions that the Committee might have. I'm not sure that I have any testimony other than to answer any questions that the Committee might have about the structuring of this legislation.
I understand that Councilman Nutter -- and here he is -- wanted to ask some questions.
COUNCILWOMAN BLACKWELL: Yes. Councilman Nutter, are you prepared to ask your question?
COUNCILMAN NUTTER: Thanks.
COUNCILWOMAN BLACKWELL: You're welcome.
COUNCILMAN NUTTER: Thank you, Madam Chair. Sorry I wasn't in the room.
Mr. Shapiro, I wanted to talk with you about some of the questions that I asked Commissioner Kammerdeiner. They had to do with timing and dates. And I'd like to use the current situation and a real live taxpayer.

We're here now in April '03. This bill would go into effect when?
MR. SHAPIRO: It would go into effect January 1, 2005.
COUNCILMAN NUTTER: January 1, 2005. So, again, I would pay my taxes -- Actually, with the Resident Wage Tax you don't have much choice.
MR. SHAPIRO: No.
COUNCILMAN NUTTER: The employer takes it before you get to it.
-- for all of 2005, which January 1, 2005, is midway through FY '05.
MR. SHAPIRO: Correct.
COUNCILMAN NUTTER: The tax year is the calendar year. I then pay my federal and state taxes no later than April 15th -- on or about April 15, 2006.
The Commissioner's testimony was that as a result of the taxpayers filing their P.I.T. Tax Back, Tax Forgiveness filings by April 15, 2006, that the Revenue Department, Philadelphia Revenue Department, would get the necessary information if they were going to utilize the state data by October of 2006.

We could tell people that they could file, and maybe we'd encourage them to file with the City for their refund by that same October time period, if we're just playing this out as the Commissioner indicated.

And hopefully somewhere in the course of the last couple months of calendar year 2006, there would be refunds for taxes paid by the low income filer from 2005. Is that your...

MR. SHAPIRO: That's the scenario, as I understand it.

COUNCILMAN NUTTER: Now --

MR. SHAPIRO: Although the filing actually could be done in April.

COUNCILMAN NUTTER: Let me lay out a couple of other things. Under that scenario, first, the City has budgeted and anticipated a certain amount of Wage Tax for FY '05, all of which will have actually been collected by the withholding.

MR. SHAPIRO: Correct.

COUNCILMAN NUTTER: For fiscal '05. It would be in fiscal '07.

MR. SHAPIRO: Correct.

COUNCILMAN NUTTER: October through, let's say, December of calendar year 2006, which is actually fiscal year 2007, that these potential refunds would be given.
MR. SHAPIRO: Correct.
COUNCILMAN NUTTER: So therefore, the City --
MR. SHAPIROP: Under the scenario laid out by the --
COUNCILMAN NUTTER: Under the scenario laid out by the Commissioner.
So under that circumstances, the City has full control of its Wage Tax revenues for the present fiscal year 2003 and for the next two fiscal years at least.
MR. SHAPIRO: '04, '05 and '06.
COUNCILMAN NUTTER: And what happens in FY '06, we are still in control --
MR. SHAPIRO: Right.
COUNCILMAN NUTTER: -- of all of our revenues, and a refund program in October through December of calendar year 2006 would then affect the Wage Tax revenues estimated for the FY '07 budget year.

MR. SHAPIRO: Correct.
COUNCILMAN NUTTER: Is that right?
MR. SHAPIRO: Correct.
COUNCILMAN NUTTER: So that's as it was laid out by the Commissioner, which would maximize the amount of planning time that the City would have in anticipation of whatever the, quote, unquote, loss in revenues would be.
Now, with regard to the timing for the taxpayer...
MR. SHAPIRO: Mm-hmm.
COUNCILMAN NUTTER: ...to speed up the possible receipt of the refund, although we may not necessarily want to do that; but rather than waiting for the state data from the taxpayer filing on April 15, 2006, for calendar year tax year 2005, the City could, by regulation, adopt its own application process exactly mirrored on the state filing and ask the 2005 tax year taxpayer to file a Philadelphia Tax Back, Tax Forgiveness form by April 15, 2006.
And we could do our own verification based on the data that the taxpayer supplies to us, not wait until October to get the information

from the state, still consider not making the refunds until after July 1, 2006, which would result in the same impact to the City, because the Wage Tax revenues would impact FY '07. Is that correct?

MR. SHAPIRO: This ordinance is flexible. The Department can adopt whatever regulations are appropriate that are consistent with the general motion of cutting this tax on the schedule that's indicated.

COUNCILMAN NUTTER: Well, again, I think as the sensitivity has been laid out, I mean, you know, there are two constituencies here.

One, we're trying to do something positive for low income taxpayers, and at the same time minimize the negative impact from a revenue standpoint to the City of Philadelphia.

It seems to me if we can push, not inappropriately but with forethought, if we can push the potential fiscal impact for the City back three years and take into full consideration that, one, we're giving up already this fiscal year; we are not trying to push for the next fiscal year in terms of even the tax year under consideration;

and it seems to me that that's relatively fair. You don't have to -- That's a rhetorical question.

MR. SHAPIRO: I just comment that if the tax refund is not actually paid for the first time until fiscal '07, then it would only be two fiscal years out of the five-year plan, the next five-year plan that's before Council that would be affected in any way.

And the tax refund -- The maximum tax refund that would be available in any of those years would be one percent, rather than the full three percent cut that eventually would be put in place by the legislation.

COUNCILMAN NUTTER: Let me ask the Revenue Commissioner... I'm sorry I didn't go through this scenario with her earlier. Let me ask her one question about this timing issue.

Commissioner, did your testimony take into consideration the Q & A that Mr. Shapiro and I just had about when the actual impact would come to the City, which would, under this scenario, not happen until FY '07?

MS. KAMMERDEINER: My testimony only addressed the full impact when it was completely

implemented, which I understand would be beyond the five-year plan that you're considering. But that would still be an impact that would have to be dealt with down the road by the future budget.

COUNCILMAN NUTTER: Well, the impact that you're talking -- Are you talking about the five-year plan of '04 to '08, or are you talking about full implementation, which is --

MS. KAMMERDEINER: Full implementation of the legislation..

COUNCILMAN NUTTER: -- by the chart I have, seems to be in 2010?

MS. KAMMERDEINER: I was referencing full implementation of the legislation. And the portion of my testimony --

COUNCILMAN NUTTER: When you say "full implementation," what year are you talking about?

MS. KAMMERDEINER: My testimony referenced a statement that was made last year in reference to the earlier bill, at which time we estimated that when all of the phases were completed for implementing the Wage Tax reduction, the cost would be at least $80 million per year.

It didn't reference a particular year. It simply referenced the period of time or at the point at which the legislation for the reductions was fully implemented. That would be the full impact.

COUNCILMAN NUTTER: Well, based on that statement, and for your testimony at the time, while the reference made now to the previous testimony, when was full implementation and when would you reach the $80 million figure?

MS. KAMMERDEINER: In the last year of the multiple years of gradual implementation.

COUNCILMAN NUTTER: Do you remember when that was?

MS. KAMMERDEINER: I don't remember the exact year. There's a piece of legislation.

MR. SHAPIRO: It's 2011 that the last increment would be payable. 2010 when it would be effective, but 2011 when it would be payable.

MS. KAMMERDEINER: Under the current. Then it would have been a year earlier under the legislation last year.

MR. SHAPIRO: Yes.

COUNCILMAN NUTTER: So are you saying -- So is it 2009?
MS. KAMMERDEINER: That would have been the reference last year.
COUNCILMAN NUTTER: So your testimony -- I mean, when we -- Let me make sure I'm understanding this. When we talk about this $80 million, that's a reference to full implementation...
MS. KAMMERDEINER: Correct.
COUNCILMAN NUTTER: ...of the legislation from last year, and the full implementation year was 2009.
MS. KAMMERDEINER: Correct.
COUNCILMAN NUTTER: Is that what we're saying?
All right. And under the present circumstance, one, it appears that you have not estimated the full financial impact of the bill in front of us today.
MS. KAMMERDEINER: That's correct. We have not restated the analysis.
COUNCILMAN NUTTER: But full implementation of this bill, 030163, is now 2010.

MS. KAMMERDEINER: That's my understanding.
COUNCILMAN NUTTER: Okay. All right.
Can you comment on the 2007 issue, in terms of when there would be any impact? Which we now understand is not full impact. But, I mean, what's your response to a plan laid out, responsibly laid out, by the Councilman that has no impact on the City until fiscal year 2007?
MS. KAMMERDEINER: Basically, you know, I can't dispute the timing that you laid out, whether it be --
COUNCILMAN NUTTER: You agree with it?
MS. KAMMERDEINER: I agree that that would be one of the scenarios. Another would be that if it were an application in April of 2006 that was reviewed internally. And I will say that will take staff and effort that we've not even addressed here.
COUNCILMAN NUTTER: Clearly, it's going into the next fiscal year.
MS. KAMMERDEINER: It would take a

while to be able to do that. My idea of using existing state data in getting a file meant that we could use electronic information processed far more quickly and efficiently whenever we were able to do that.

But whether it were in fiscal '06, or as you more properly point out, fiscal '07, that would be the first that we would actually be handling the refunds. And so, I agree with that time scenario, based on the current legislation.

COUNCILMAN NUTTER: Thank you. Thank you, Madam Chair.

COUNCILMAN COHEN: Madam Chair, may I question the --

COUNCILWOMAN BLACKWELL: Absolutely, Councilman Cohen, yes.

COUNCILMAN COHEN: In my earlier testimony or questioning of you about your testimony, I emphasized the impact on the person receiving the exemption from Wage Tax.

You seem to be very concerned about revenue. But let me ask you, from the point of view of economic growth and the bringing in of new businesses, it used to be in the old days, maybe

100 years ago, that an employer moved a plant or a business without consulting employees.

But I think it's pretty clear today that employees have a lot to say, and if they oppose a move, it's a serious matter.

With the present Wage Tax, every employer is faced with immediate opposition of employees who will suffer a four and a half percent cut in their pay.

So that in order to win their support, the employer has to say: I'll pay you an additional four and a half percent in wages to make up for what you're going to pay in a Wage Tax.

So that this is also, though I don't emphasize it because it doesn't have to do with fairness to the low income workers, but it has a great deal to do with economic development.

This is a tremendous tool for bringing in businesses, because you were overcoming one of the basic defects that an employer frequently faced with the need to increase the salary of the staff members or his employees because the City Wage Tax. It's a real

deterrent to businesses coming into the City.
So that it would appear to me that from a revenue production point of view, the Revenue Department ought to be strongly favoring.
I'm not saying you'll say that publicly here at a hearing. But it would seem to me within the debates that take place within the government, the Revenue Department would be in a very favorable position to support this as a means of increasing revenue, so that everybody gains by this policy of fairness in our tax structure. What comment do you have to that?
MS. KAMMERDEINER: That's a policy judgment that I would not comment on here.
COUNCILMAN COHEN: Publicly. But I hope you'd think enough of it to use it privately in discussions, because I let that area of economic development to Councilman Goode generally. And that's the reason I didn't want to be trespassing on his field originally, and based this entirely on the fairness to the worker. But it seems to me to make economic growth for Philadelphia much more of a reality than it is today.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you, Councilman. Any other questions?

Mr. John Hogan, Green Party Candidate for City Council-at-Large. Thank you, Mr. Shapiro.

MR. SHAPIRO: You're welcome.

COUNCILWOMAN BLACKWELL: Good morning. Welcome to our hearing. Would you identify yourself for the record and begin your testimony.

MR. HOGAN: Thank you. Thank you, Councilwoman Blackwell. My name is John Hogan. I'm the Green Party candidate for City Council-at-Large. And I'm here to testify in support of Bill 030163.

Because The Home Rule Charter limits the City's ability to levy taxes based on people's ability to pay, it's vitally important to look for ideas like Councilman Cohen's to provide relief for our low income citizens.

So many of the City's tax breaks in recent years have ended up going to people who can afford to leave the City, in an effort to convince

them to stay, or else to out-of-town businesses in the hopes that they will move here.

Some of those efforts have worked; some haven't. But whatever the consequences for the City's revenues, we went ahead and provided them.

It's past time that we gave a thought to the people who cannot afford to move out to the suburbs, both to give them a respite from the highest Wage Tax in the country, and to reduce their need for City services by putting more money in their pockets.

Philadelphia stands to gain far more by providing money for people who are certain to spend it locally than by offering it to people in businesses who are just as likely to spend it elsewhere.

More of that money will be spent in Philadelphia's neighborhoods and locally on businesses, which helps out those businesses that cannot afford to relocate.

This bill will help people keep and maintain their homes, which means fewer homeless people the City has to find shelter for, and fewer

abandoned homes that the City will have to eventually demolish.

This bill will help people keep their jobs, because they can pay for child care or transportation, so that they can report to work, which means more Wax Tax review.

It can mean less crime, fewer uninsured cars, fewer of so many of the problems that are now squeezing the City's budget.

I urge you to pass this legislation. Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much.

Any questions?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much.

MR. HOGAN: Thank you.

COUNCILWOMAN BLACKWELL: That will end the testimony for Bill Number 030163.

We will now have the clerk read the title of the next bill, Bill Number 030023, after which Councilman Goode, the bill's sponsor, will speak. Thank you.

COUNCILMAN COHEN: Madam Chair, before we go on to the next bill, I have an amendment to offer.

COUNCILWOMAN BLACKWELL: Would you like to offer the amendment at the Committee part of the hearing?

COUNCILMAN COHEN: Okay. I could do that.

COUNCILWOMAN BLACKWELL: Yes. Okay. Thank you.

THE CLERK: BILL 030023, An Ordinance amending Chapter 19-200 of The Philadelphia Code, entitled "City Funds - Deposits, Investments, Disbursements," by revising the list of City depositories because of non-compliance with certain provisions of that Chapter, under certain terms and conditions.

COUNCILWOMAN BLACKWELL: Thank you very much. Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Our previous hearing on March 26th, the City Treasurer presented testimony on this bill. He's not able to be with us today, but he

did furnish a letter which will be contained in the Committee Member's package, dated April 10th, which actually lists the City depositories, which he believes are in compliance with the Bill 030022, passed unanimously on April 3rd.

I will be offering an amendment to add one bank to the list of depositories that were approved by the amendment offered on March 26th, but I'll do that in the Public Meeting.

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there any questions or would anyone else like to make a statement?

(No response.)

COUNCILWOMAN BLACKWELL: All right. That will end our hearing part of this meeting.

(Public hearing concluded.)

CERTIFICATE

I HEREBY CERTIFY that the proceedings and evidence are contained fully and accurately in the stenographic notes taken by me upon the public hearing of The Philadelphia City Council, taken on April 14, 2003, and that this is a true and correct transcript of same.

_____

DAVID A. DEIK, RPR and

Commissioner of Deeds

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