

City of Philadelphia



(Bill No. 220660)

AN ORDINANCE

Amending Bill No. 210284, entitled “An Ordinance Amending Chapter 19-2600 of The Philadelphia Code, entitled ‘Business Income and Receipts Taxes,’ by revising certain tax rates, under certain terms and conditions,” to fix a mistake in identifying the tax year to which a tax reduction applies, so that the tax reduction applies in FY2023, all under certain conditions.

Whereas, as adopted into law, Bill No. 210284, approved June 27, 2022, reduced the net income tax rate for Business Income and Receipts Taxes (“BIRT”) for tax year 2023 and thereafter;

Whereas, Council intended to make the reduction in the net income tax rate applicable to tax year 2022, such that the reduction in taxes would be meaningful within the FY2023 budget cycle (i.e., with respect to BIRT taxes that will be paid on or before June 30, 2023);

Whereas, the City Administration plainly understood that Council was intending in Bill No. 210284 to reduce the BIRT net income tax rate for tax year 2022, as reflected in contemporaneous conversations between the Administration and Council;

Whereas, most significantly in this regard, the Administration utilized the reduced tax rate of 5.99% for the Net Income portion of the BIRT when it calculated the City’s anticipated revenues when determining that the City’s operating budget for FY2023 that was passed by Council and approved by the Mayor (Bill No. 220286, approved June 27, 2022) was balanced, as required under Section 2-302 of the Home Rule Charter; and

Whereas, the fact that the Administration used the reduced tax rate for that purpose is reflected in the document attached hereto as Exhibit “A” that was submitted to the Pennsylvania Intergovernmental Cooperation Authority on June 30, 2022, as part of the City’s demonstration to PICA that it had adopted a balanced budget for FY 2023; now, therefore,

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

Section 1. Section 1 of Bill No. 210284, entitled “An Ordinance Amending Chapter 19-2600 of The Philadelphia Code, entitled ‘Business Income and Receipts Taxes,’ by revising certain tax rates, under certain terms and conditions,” is hereby amended to read as follows (additions in **Bold**):

SECTION 1. Chapter 19-2600 of The Philadelphia Code is hereby amended as follows:

CHAPTER 19-2600. BUSINESS INCOME AND RECEIPTS TAXES

* * *

City of Philadelphia

BILL NO. 220660 *continued*

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§ 19-2604. Tax Rates, Credits, and Alternative Tax Computation.

(1) Every business shall pay an annual tax on each dollar of annual receipts at the millage rate shown in the second column of the following chart ("Receipts rate in mills"), and an annual tax on net income at the percentage rate shown in the third column ("Net income rate %"), except that a regulated industry shall only pay an annual tax on each dollar of annual receipts at the millage rate shown in the second column, and in an amount not to exceed the percentage of net income shown in the third column:

Tax year(s)	Receipts rate in mills	Net income rate %
	* * *	
2021	1.415 mills	6.20%
2022	1.415 mills	[6.20%] 5.99%
2023 <i>and thereafter</i>	1.415 mills	[6.15%] <i>5.99%</i>
[2024 and thereafter]	[1.415 mills]	[6.10%]

* * *

Explanation:

[Brackets] indicate matter deleted.

Italics indicate new matter added.

Business Privilege Tax Forecast FY2023 through FY2027 (with Bill Nos. 110554 & 110548-A)

FY	Tax Rate		Net Income		Gross Receipts		Net Income		Gross Receipts		Net Income		Gross Receipts		Manual Adjust, for Increased Revenue Dept. in FY19-24	Total Collections FY23-27 Adopted	Total Collections FY23-27 Proposed	Dif
	Gross	Net Income	% of Total	% of Total	(current year)	(prior year)	(current year)	(prior year)	(current year)	(prior year)	(current year)	(prior year)	(current year)	(prior year)				
FY22	0.1415	6.20%	73.0%	73.0%	17,119	416,722	46,285	10%	1,089,258	6,721,323	154,130	416,722	570,852	17,119	(15)	633,242	545,242	88,000
FY23	0.1415	5.99%	72.3%	72.3%	17,462	410,659	47,211	10%	1,111,044	6,855,750	157,213	410,659	567,872	17,462	(15)	631,530	611,120	20,410
FY24	0.1415	5.99%	72.3%	72.3%	17,916	421,337	48,439	10%	1,139,831	4,933,996	161,300	421,337	592,637	17,916	(15)	647,974	627,034	20,940
FY25	0.1415	5.99%	72.3%	72.3%	18,129	426,350	49,015	10%	1,153,496	7,117,704	163,220	426,350	589,570	18,129	(15)	665,712	634,523	21,189
FY26	0.1415	5.99%	72.3%	72.3%	18,727	440,420	50,633	10%	1,191,561	7,352,588	168,606	440,420	609,026	18,727	(15)	677,384	655,495	21,889
FY27	0.1415	5.99%	72.3%	72.3%	19,388	455,967	52,420	10%	1,233,623	7,612,134	174,558	455,967	630,525	19,388	(15)	701,331	678,669	22,662
																		195,090

History	Tax Rate		Net Income		Gross Receipts		Net Income		Gross Receipts		Net Income		Gross Receipts		Total BPT Collections (current year)	Total BPT Collections (prior year)	% Growth
	Gross	Net Income	(1st half)	(1st half)	(current year)	(prior year)	(current year)	(prior year)	(current year)	(prior year)	(current year)	(prior year)	(current year)	(prior year)			
FY05	0.2100	6.50%	69.0%	71.0%	101,261	16,370	225,387	36,438	14%	482,195	3,467,494	326,648	52,808	379,456	326,648	52,808	22.73%
FY06	0.1900	6.50%	71.0%	75.0%	113,234	7,262	277,229	17,779	6%	595,970	4,265,057	390,463	25,041	415,504	390,463	25,041	9.50%
FY07	0.1665	6.50%	75.0%	75.0%	100,478	8,612	301,433	25,855	8%	603,470	4,659,435	401,911	34,447	436,358	401,911	34,447	5.02%
FY08	0.1640	6.50%	75.0%	75.0%	94,033	5,674	282,100	17,021	6%	610,606	4,339,996	376,133	22,694	398,827	376,133	22,694	-8.60%
FY09	0.1415	6.45%	74.0%	74.0%	91,769	4,729	275,306	14,187	5%	648,641	4,266,302	367,074	18,916	385,990	367,074	18,916	-3.22%
FY10	0.1415	6.45%	74.0%	74.0%	85,612	9,211	243,864	26,217	10%	605,028	3,777,729	329,275	35,428	364,703	329,275	35,428	-5.51%
FY11	0.1415	6.45%	74.0%	74.0%	87,098	10,907	247,897	31,043	11%	615,540	3,843,365	334,996	41,950	376,946	334,996	41,950	3.30%
FY12	0.1415	6.45%	74.0%	74.0%	96,248	4,991	273,940	14,206	5%	680,208	4,347,130	370,189	19,197	389,386	370,189	19,197	3.30%
FY13	0.1415	6.45%	74.0%	74.0%	107,050	10,187	304,881	28,993	9%	756,538	4,723,736	411,731	39,180	450,911	411,731	39,180	15.80%
FY14	0.1415	6.43%	74.0%	74.0%	109,477	10,553	311,589	30,036	9%	773,890	4,845,861	421,066	40,589	461,655	421,066	40,589	2.38%
FY15	0.1415	6.41%	74.0%	74.0%	104,551	9,380	297,570	26,724	8%	738,880	4,642,271	402,121	36,114	438,235	402,121	36,114	-5.07%
FY16	0.1415	6.39%	74.0%	74.0%	112,230	316,079	34,807	10%	784,840	4,946,466	427,134	47,037	474,171	427,134	47,037	8.20%	
FY17	0.1415	6.35%	73.0%	73.0%	107,091	5,641	289,544	15,250	5%	756,830	4,559,741	396,635	20,891	417,526	396,635	20,891	-11.95%
FY18	0.1415	6.30%	73.0%	73.0%	115,792	4,647	313,069	12,563	4%	818,321	4,969,342	428,861	17,210	446,071	428,861	17,210	6.84%
FY19	0.1415	6.25%	73.0%	73.0%	136,797	9,239	369,857	24,961	6%	966,760	5,917,719	506,654	34,220	540,874	506,654	34,220	21.25%
FY20	0.1415	6.20%	73.0%	73.0%	133,620	10,625	361,268	28,726	7%	944,309	5,626,907	494,868	39,351	534,239	494,868	39,351	-1.23%
FY21	0.1415	6.20%	73.0%	73.0%	131,613	14,618	355,844	39,524	10%	950,130	5,739,413	497,457	54,192	541,599	497,457	54,192	1.38%

Fill in Actual Amounts
 Prior Year 5 Yr Avg. 33,163
 Prior Year 10 Yr Avg. 34,793

BIRT Tax Rates per Bill No. 110554		
Tax Rate	Gross Receipts	Tax Rate Net Income
FY	0.1415	6.43%
FY14	0.1415	6.41%
FY15	0.1415	6.39%
FY16	0.1415	6.35%
FY17	0.1415	6.30%
FY18	0.1415	6.25%
FY19	0.1415	6.20%
FY21	0.1415	6.15%
FY22	0.1415	6.10%
FY23 & thereafter	0.1415	6.00%



Budget Office

CITY OF PHILADELPHIA

Marisa G. Waxman, AICP, Budget Director

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Harvey Rice, Executive Director
Pennsylvania Intergovernmental Cooperation Authority
Via Email – Hrice@picapa.org

June 30, 2022

Dear Mr. Rice.

Please find attached the FY23-27 Five Year Plan, incorporating the FY23 Adopted Budget, passed by City Council and signed by the Mayor on June 27, 2022.

This Five Year plan was prepared during an ongoing global pandemic, paired with economic disruption, and ongoing calls for racial equity. These events are layered on top of Philadelphia's persistent challenges: intergenerational poverty, the need for an improving education system, and violence and public safety crises that threaten lives and disrupt our cherished communities. Even against this backdrop, the Plan has been updated to reflect more revenues, based on FY 22 collections, more reserves for future labor costs, more reserves for inflation and a potential recession, a significant increase in deposits into the Budget Stabilization Reserve, expanded investments in areas including public safety, community quality of life and public health, and a slightly higher ending fund balance than the original FY23-27 Plan and the PICA-approved FY22-26 Plan.

This Five Year Plan reflects evolving needs and changes to the resources available to serve Philadelphians. It demonstrates an improved revenue outlook compared to the version released in March, based on strong actual collections in FY22. As we anticipate that some of that strength is a one-time spike, this version of the Plan lowers growth rates for some tax types compared to the estimates presented that were generally accepted at the Economist Meeting convened by PICA. These changes are based on input from IHS Markit and updated collection figures to ensure reasonable revenue projections. Additionally, the updated Plan reflects property assessments released after March 31st, which enabled reductions to the Wage and Business Income and Receipts Taxes, as well as expansions of property tax relief and rental assistance to offset the impacts of the assessments on Real Estate Tax bills.

The spending side of this Plan is updated to reflect the adopted amendments to the FY23 budget and their impact across the Five Year Plan, as some of those increases will lead to recurring expenditures. Spending changes include increases for programs to address violence and community safety, including lighting, a new forensics lab, abandoned car



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removal, and police recruitment. Community and cultural facilities will be boosted with additional funds for Free Library materials and executive staff, expanding Rec Center hours to weekends, and expanded support for organizations including the Dell, Mann, Art Museum, Zoo, and African American Museum of Philadelphia.

This revised Five Year Plan also includes increasing allocations to support 3.25% raises for exempt employees, something not contemplated in the original FY23-27 proposal that creates parity with incorporated raises for represented non-uniform employees and non-represented civil servants. The Labor Reserve has been increased to reflect expected needs related to the outstanding contract for corrections officers and new contracts for all represented employees in the later years of the Plan. In response to inflation and supply chain pressures that have worsened since March, the Plan adds funding for fuel, utilities and adds \$12M per year to the Recession and Reopening Reserve, an amount roughly equal to 5% of the General Fund's Class 300/400 budget.

Through this careful approach of monitoring revenues and conservative revisions based on actual collections and stewardship of federal relief funds, this Five Year Plan makes sustained investments in the areas that matter most to Philadelphians while ensuring adequate reserves to weather expected and unexpected disruptions and economic trends. Revenue growth will average 3.9%. The level of revenue growth would be unachievable without the draw downs of American Rescue Plan funds that replace lost revenues. Absent these funds, the City would not be able to sustain needed services and fiscal stability.

This Plan will end with an \$86 million fund balance, nearly \$20 million more than the ending fund balance in the Plan most recently approved by PICA. In addition to this improvement, the revised FY23-27 Plan includes deposits into the Budget Stabilization Reserve in four of the five years. If untapped throughout the Plan, more than \$165 million will be available to the City in the event of future distress.

We look forward to working with you and your team as you review the Plan. Please reach out if we can be of any assistance.

Sincerely,

Marisa G. Waxman, AICP
Budget Director

City of Philadelphia

BILL NO. 220660 continued

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CERTIFICATION: This is a true and correct copy of the original Bill, Passed by the City Council on November 3, 2022. The Bill was Signed by the Mayor on November 9, 2022.



Michael A. Decker
Chief Clerk of the City Council