Philadelphia Daily News — The People Paper
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WEDNESDAY, APRIL 14, 2010

Council Ponders Business Tax Changes

A budget analysis commissioned by City Council suggests that members are continuing to look at changes to the city's business privilege tax as part of the solution to the city's financial problems.

According to a report from the Econsult Corporation, the city could raise an additional $20 million in revenue by shifting the balance of the city's business tax, which has two components -- a gross-receipts portion, which taxes firms on their sales, and a net-income portion, which taxes profits.

The data Econsult provided to Council states that if the gross receipts rate went from .1415 percent to .2 percent and the net income rate went from 6.45 percent to 6 percent, the city could realize $20 million in additional revenue.

Econsult stresses in the report that the data on the BPT is "very preliminary."

Any change to the current business tax structure would mark a major shift in city tax policy. Since 1995, the city has been making small reductions to the gross receipts tax, which reformers have long criticized for whacking businesses on their sales, even if they don't make a profit.

Council members Bill Green and Maria Quinones-Sanchez have been reviewing a change in course -- eliminating the net income portion of the tax and raising the gross receipts levy, which they say would be more fair. They argue that the current structure penalizes city-based firms and lets national retailers get away with paying little or nothing.

Sanchez said Council was reviewing the Econsult business tax data, noting that the proposal might work as part of a multi-year plan to reduce net income and increase gross receipts.

"It is something I'm going to advocate very strongly that we look at," Sanchez said. "I'm hopeful that over the next couple of weeks we will decide if this is a viable option."

The report confirms that the city budget hole is between $130 million to $140 million – close to Mayor Nutter's statement that the city must plug a $150 million gap. The Econsult report also recommends that Council look at possible expenditure cuts of between $40 million to $60 million.

Nutter proposed an annual $300 per household trash fee and a 2 cent per ounce tax on sugary beverages to close the budget gap. The "soda tax" – which the administration is also billing as a public health initiative -- would be charged as part of retailer's business tax and they could pass it on to consumers.

Already, Council seems to have rejected the trash fee plan. Many members prefer a proposal by Councilman Frank DiCicco to raise property taxes by 12 percent, which would raise the same amount of revenue.Council has also raised concerns about the soda tax, which has drawn harsh criticism from soft drinks manufacturers, teamsters and retailers, who argue that the tax could cost jobs and may not be directly passed on to soda anyway.

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