

BEFORE THE PHILADELPHIA CITY COUNCIL  
COMMITTEE OF THE WHOLE

Testimony of Stanley Shapiro, Coordinator, One Philadelphia,  
on Cohen Tax Credit Bill 080161

April 16, 2008

Good afternoon Council President Verna and members of Council. My name is Stan Shapiro and I'm here to testify for One Philadelphia and for Neighborhood Networks on the important tax issues now before you.

In particular I want to reiterate my testimony of February 27 that we oppose repeal of the Cohen tax cut, particularly as a way to pay for a Business Privilege Tax cut.

Any repeal of the Cohen tax rebate in a City with a poverty rate of 25% would be simply unconscionable. But aside from its immorality, witnesses for One Philadelphia have also previously laid out the economic reasons why such repeal would be foolhardy. Putting dollars in the hands of the working poor is the best way to stimulate the economy. Almost all of the taxes rebated will be spent at local businesses, or to pay for the basic costs of keeping families together: food, rent, utilities and other necessities of life. Maintaining intact families is, of course, a major objective of public policy, one that this Council has frequently paid homage to. There can be no clearer way of putting policy in service of stated good intentions regarding families, than to maintain the Cohen wage tax rebate.

But maintaining the rebate means, in the eyes of some, competing with another essential public policy, namely, reducing the tax burden on business, especially small business.

I'm not here to tell you that reducing taxes on small business would be a bad thing or that it wouldn't be a fair thing. And it could be done easily if the Commonwealth of Pennsylvania treated the City equitably, by, among other things, picking up essential county expenses such as Court spending. But the Commonwealth is not doing that, as amply pointed out in the Mayor's Five Year Plan. So this Council has to make choices, and they're not particularly pleasant ones. Among them it has to decide this: are business tax cuts the most important thing to pay for, compared to other priorities that the Council might adopt? We think not.

I've already spoken on why business tax cuts should not be a higher priority than the Cohen tax rebate. Dollar for dollar it's clear that the Cohen rebate provides more bang for the buck. But other sources of revenue to pay for BPT cuts are also problematic. And here I'm talking primarily of lost opportunity costs. To cut business taxes misses the opportunity to put more funding in the schools. To cut business taxes misses the opportunity to put more money into childcare. To cut business taxes misses the opportunity to put more money into libraries and the arts. To cut business taxes misses the opportunity to put more money in the Housing Trust Fund. All of these missed opportunities will extend, rather than end, the deep chasm between rich and poor that we might well characterize as the phenomenon of Two Philadelphias, one well off and prosperous, the other, much larger, depressed and growing in hopelessness.

And let's be clear. The Five Year Plan makes no rosy assumptions about business tax cuts paying for themselves. The Finance Director has stated publicly, and privately, that the City's revenue estimates include zero dollars resulting from the Administration's proposed reduction in business taxes. So every dollar of such cuts is a dollar that this Council cannot appropriate to care for desperate City needs.

We recognize that compromise proposals are circulating which would involve less drastic business tax cuts than are contained in the legislation now before you. Although we have seen only preliminary revenue cost estimates for one such proposal, we understand that it may save 60% of the revenue that would be lost under the broader tax cut scenario now pending. That would clearly be an improvement, particularly if the new proposal primarily benefits small, neighborhood businesses. But whatever this Council ultimately chooses to do, we urge you to do it recognizing that you cannot do everything you wish. Reality simply won't allow it. We urge you to choose your priorities carefully, and, in the end, we hope that you will put at the top of your list those things which lift us all, by first lifting those who are now barely scraping by.

Thank you for your attention, and I'm happy to answer any questions you may have.