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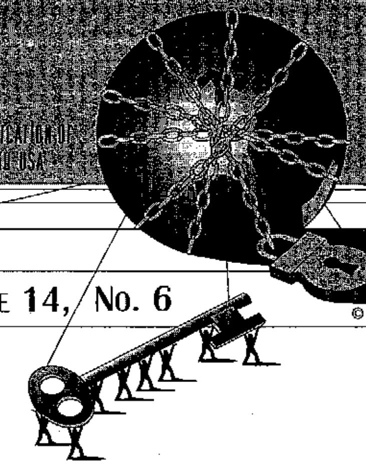

PHILADELPHIA CONTROLLER PROPOSES LAND VALUE TAX

On November 26, 2001, an already much discussed and promoted "Tax Structure Analysis Report" was presented by City Controller Jonathan Saidel to 150 business and community leaders at a press conference held at the Chamber of Commerce office. According to Assistant City Controller Bruno Moser, there was good media turnout, including several TV stations. Favorable articles were published in the Philadelphia Inquirer, the Philadelphia Daily News, the City Paper, and by the Associated Press, and in the Tax News Update of the Center for Sustainable Economy. A neutral perspective was published in Bond Magazine.

In releasing The Tax Structure Analysis Report, City Controller Saidel was surrounded by supporters. Chamber of Commerce president Charles Pizzi said, "This approach, by someone in city government, is really something we have been looking and asking for over the past 12 years." Greater Philadelphia Assn. of Realtors president Anne M. Rubin said, "We believe this is better for the homeowners and for the city." Also with Saidel when he unveiled the 93-page Report were five City Council members, including Council Finance Committee chair Jannie L. Blackwell. Council member James Kenney quoted the Report that "Together, the increased property tax and decreased wage tax would amount to just over a $100 savings for a family of four with an annual household income of $45,000 and a home with a market value of $80,000. Council member Michael Nutter noted that while Mayor Street draws up the annual budget, it must still be approved by the City Council, which could choose to impose a new tax system. "The city's tax structure is abominable, and it needs to change," he said. Also present was City Council member Blondell Reynolds-Brown. Another five Council people were represented by their legal staff at Saidel's presentation of the Report. Also speaking in support was Paul Tirjan, the director of a venture-capital firm.

In a front page story in the Inquirer November 27, staff writer Nathan Gorenstein, commented, as follows. "Saidel's plan has three major components: steeper reductions in wage taxes than those currently called for by [Mayor] Street, reductions in city business taxes, including one tax that companies must pay even if they lose money; and an overhaul of the city's property-tax system to reduce taxes on the value of buildings and increase taxes on the value of land. By next year, Saidel's plan would reduce the wage tax from 4.54 percent for city residents to 4.00 percent. By 2007, wage taxes would be cut to 3.5 percent for city residents and 3.375 percent for nonresidents, down from 3.9 percent. The net-income portion of the busness-privilege tax would drop from 6.5 percent to 4.0 percent next July, while the gross-receipts tax would drop from 0.24 to 0.20 percent. Land would be taxed at a higher rate than buildings, resulting in tax cuts for most homeowners. Some businesses would see real estate tax increases, but Saidel argues that those tax increases would be offset by cuts in business taxes. Saidel also identified in the report $27 million to $95 million a year the city can save through greater efficiencies.

According to Saidel's Report, currently taxes on structures and improvements generate about 77.5 percent of the city's real estate tax revenues. In October, Saidel had briefed City Council members, who would have to approve any changes in the city's property taxes. Under the plan, the city would abandon the system that taxes land and buildings at the same rate, and instead tax land at 3.44 times the rate imposed on buildings. Property taxes would drop by modest amounts for 78 percent of city homes, but increase for 50 percent of the city's commercial and industrial property. Owners of parking lots, car dealerships and other businesses with large tracts of undeveloped space in prime areas are among those who could face higher taxes.

Saidel said that his land-value tax plan would complement the mayor's proposed $250 billion blight bond program, which aims to demolish 14,000 structures (at least 8,000 of them in imminent danger of collapse) and improve 2,500 vacant homes. The land-value tax plan would discourage developers from "land-banking," or allowing buildings to decay in an effort to reduce real estate taxes

before redeveloping property. Currently, Saidel said, residents who make improvements to their homes or businesses are penalized through higher taxes, thereby discouraging urban investment. Saidel calls his proposal an attempt to halt the exodus of Philadelphia's middle class. "If we don't do that, he said, "ten years from now we're going to be a Center City with downtown, the very poor, and seniors who can't sell (continued on page 2)